

The Marin Common Message

2019-20 First Interim

MARIN COUNTY OFFICE OF EDUCATION

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First Interim Budget Key Guidance

The Legislative Analyst's Office reported that its State Fiscal Health Index that is designed to track the strength of economic conditions relevant to the state's fiscal health. The most recent four months have been in decline. While a four-month trend is not enough to draw firm conclusions, each additional month of decline in the index increases the risk that an economic slowdown is on the horizon.

As districts begin to plan the new three-year Local Control Accountability Plan (LCAP), there is opportunity to re-evaluate spending priorities to address student achievement. Prioritization of spending may be challenging within a fiscally restrained environment. It should be noted that the government sector's dependence on tax proceeds tends to lag the overall economy.

The Department of Finance reports that California's unemployment rate in July was 4.1%, matching the state's lowest unemployment rate on record. Preliminary state general fund cash for the first two months is on pace with the forecast, up \$186 million.

Significant Changes Since Adopted Budget

The Legislature has been active, and many new laws impact district budgets. Major legislation was passed in these areas: school start time, vaccinations, charter schools, school bonds, and increased liability exposure to sexual assault and molestation claims. Many of the new laws will require LEAs to analyze and evaluate the financial impact to each school district.

Governor Gavin Newsom signed the AB 48 into law allowing the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 to appear on the March 2020 ballot. If approved by voters, the following educational entities will receive facilities funding:

Preschool through Grade 12

- \$5.2 billion for modernization.
- \$2.8 billion for new construction.
- \$500 million for career technical education.
- \$500 million for charter schools.

Higher Education

- \$2 billion for University of California.
- \$2 billion for California State University.
- \$2 billion for California Community Colleges.

Planning Factors for 2019-20 and MYPs

Key planning factors for LEAs to incorporate into their 2019-20 first interim and multiyear projections (MYPs) are listed below and are based on the latest information available.

Planning Factor	2019-20	2020-21	2021-22
Statutory COLA	3.26%	3.00%	2.80%
STRS Employer Rates	17.10%	18.40%	18.10%
PERS Employer Rates	19.721%	22.70%	24.60%
Lottery per ADA			
Unrestricted	\$153.00	\$153.00	\$153.00
Prop. 20 Restricted	\$54.00	\$54.00	\$54.00
Mandated Block Grant for Districts			
K-8 per ADA	\$32.18	\$33.15	\$34.08
9-12 per ADA	\$61.94	\$63.80	\$65.59
Mandated Block Grant for Charters			
K-8 per ADA	\$16.86	\$17.37	\$17.86
9-12 per ADA	\$46.87	\$48.28	\$49.63
State Preschool (CSPP) Reimbursement			
Part-Day Daily Rate	\$30.87	\$30.87	\$30.87
Full-Day Daily Rate	\$49.85	\$49.85	\$49.85
General Child Care (CCTR)			
Daily Reimbursement Rate	\$49.54	\$49.54	\$49.54
After-School Education and Safety Program			
Daily Reimbursement Rate	\$8.87	\$8.87	\$8.87
Routine Restricted Maintenance Account	Minimum of 3% of total GF expenditures (based on actual expenditures)		
One-time Special Education Early Intervention Preschool Grant (Dec. 1, 2018 pre-TK district of residence unduplicated pupil count)	\$9,010	n/a	n/a

Reserves/Reserve Cap

County offices continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. The required reserve for economic uncertainty represents only a few weeks of payroll for most districts. The Government Finance Officers Association recommends reserves, at minimum, equal to two months of average general fund operating expenditures, or about 17%. In determining an appropriate level of reserves, districts should consider multiple external and local factors including but not limited to the following:

- State and federal economic forecasts and volatility.
- Ending balance impact of various district enrollment scenarios.
- Cash flow requirements and the relationship between budgeted reserves and actual cash on hand. Large receivable balances, as experienced with past deferrals, create additional risk.
- Savings for future one-time planned expenditures.
- Protection against unanticipated/unbudgeted expenditures.
- Long-term unfunded liabilities.
- Credit ratings and long-term borrowing costs.
- Impact of new legislation that may potentially result in additional expenditures.
- Status and impact of the latest bargaining unit proposals.

Prudent reserves afford districts and their governing boards time to thoughtfully identify and implement budget adjustments over time. Inadequate reserves force districts to react quickly, often causing significant disruption to student programs and employees.

The district reserve cap is not activated for 2019-20. Districts are advised to manage and maintain prudent reserves regardless of the reserve cap language included in Education Code (EC) Section 42127.01.

Negotiations

Although LEAs experienced a higher Cost of Living Adjustment (COLA) than seen in prior years, the need for fiscal prudence to maintain reserves and refrain from deficit spending remains. The Department of Finance projects COLA at 3% or less in the coming years.

LEAs should consider the following in planning for negotiations:

- With the end of gap closure funding, full funding of the Local Control Funding Formula (LCFF) is limited to COLA alone at 3.26%.
- Districts must maintain a 24:1 class size ratio for kindergarten through grade 3, unless a collectively bargained alternative ratio exists.
- Supplemental and concentration grants also are fully funded. These funds require a proportionate increase to actions and services directed to the unduplicated students who generated this funding.
- The state has provided one-time non-Prop. 98 funds to alleviate the fiscal impact to LEAs' increasing pension contributions; however, the contribution rates are still increasing.
- Special Education program costs are increasing, with a minimal increase in funding.

Many other risk factors on the horizon affect the labor negotiations environment and the affordability of collective bargaining agreements:

- New proposal for expanded parental leave (of which most details are unknown).
- Annual increases in the state minimum wage by \$1 per hour on January 1.
- Lack of affordable housing units and increasing cost of health insurance premiums.
- Financial indicators showing hints of an economic downturn.

Regardless of the economic environment, districts always must be prepared to respond to employee requests for staff compensation and benefit increases and should plan for them. Despite salary pressure, school district fiscal solvency is paramount in negotiations and, if it is to be sustained, demands reasonable and accurate revenue and expenditure projections. Maintaining fiscal solvency while maximizing services to students with available financial resources will be a continuing challenge. It is inevitable that cost reductions will be required for many districts in the budget year and/or the out years of the multiyear financial projection period.

Local Control and Accountability Plan (LCAP)

During the 2019-20 fiscal year, districts will continue to implement the actions and services outlined in their LCAPs. Since 2019-20 is the last year of the current three-year LCAP document (2017-20), districts will need to simultaneously collect information necessary to complete the current plan and begin developing actions and services for the new three-year LCAP for fiscal years 2020-21 through 2022-23.

Pursuant to the requirements set forth in AB 1840, the State Board of Education (SBE) will adopt a new LCAP template for the coming three-year cycle. A draft version of the new template was presented to the SBE on September 11, 2019 and it is expected that the final version of the template will be approved at its January 2020 meeting.

In developing and adopting their 2019-20 first interim reports, LEAs should: 1) review progress to date on implementation of planned actions and services in their adopted LCAPs, 2) begin gathering and reporting any preliminary data available for the annual update, and 3) assess any budgetary changes in the first interim report that might impact the LEA’s ability to implement the LCAP. In addition, LEAs should review local data and CALPADS submissions to anticipate possible areas of concern regarding budget priorities that may surface when the 2019 California School Dashboard is released in December 2019.

To prepare for the development of the final 2019-20 annual update and the 2020-23 LCAP, LEAs should review progress toward metrics contained in the LCAP and consider which goals, actions, and services will be continued in the new three-year LCAP and which may not. LEAs also will need to consider how financial information has been reported in prior LCAPs to determine if changes are needed based on the requirements of the new LCAP template.

AB 1840 will impact the new LCAP template in the following ways:

- Technical terminology, detailed prompts, and complex language have been severely limited, if not removed completely.
- Prioritization of LCAP goals as an option to streamline the LCAP.
- A financial information table is included to show a breakdown of funding source and personnel versus nonpersonnel expenditures. Supplemental and concentration funding is no longer presented, only LCFF funds.

Goal	Action	Title	LCFF Funds	Other State Funds	Local Funds	Federal Funds	Contributing
1	1	Instructional coaches (28 FTE)	\$ 2,157,951	\$ -	\$ -	\$ 931,008	yes
1	2	English learner support and leadership	\$ 693,285	\$ -	\$ -	\$ -	yes
1	3	Instructional and socio-emotional support	\$ 500,000	\$ -	\$ -	\$ -	yes
1	4	Curriculum content specialist (ELA, math, science)	\$ 137,247	\$ 350,000	\$ -	\$ 150,000	no
2	1	Beginning teachers support and assessment	\$ 275,000	\$ -	\$ -	\$ -	no
2	2	Professional development (classified)	\$ 26,992	\$ -	\$ -	\$ -	yes
3	1	Child welfare attendance and safety (staffing)	\$ 577,017	\$ -	\$ -	\$ -	yes
3	2	Child welfare attendance and safety (service)	\$ 161,010	\$ -	\$ -	\$ -	yes
3	3	Foster youth liaison and support staff	\$ 70,987	\$ -	\$ -	\$ -	yes
Totals:			LCFF Funds	Other State Funds	Local Funds	Federal Funds	
			\$ 4,599,489	\$ 350,000	\$ -	\$ 1,081,008	
						Totals:	Total Personnel
						Totals:	\$ 5,856,349

- A summary table consolidates all actions that contribute toward increased or improved services, including more clarity on which actions are provided LEA-wide, targeted to specific groups, or at individual sites.

Goal	Action	Title	Scope	Unduplicated Student Group(s)	Location	LCFF Funds	Total Funds
1	1	Instructional coaches (28 FTE)	LEA-wide	All	all schools	\$ 2,157,951	\$ 3,088,959
1	2	English learner support and leadership	LEA-wide	English learners	all schools	\$ 693,285	
1	3	Instructional and socio-emotional support	LEA-wide	All	all schools	\$ 693,285	\$ 500,000
2	2	Professional development (classified)	Schoolwide	All	All Middle Schools	\$ -	\$ 26,992
3	1	Child welfare attendance and safety (staffing)	LEA-wide	All	all schools	\$ -	\$ 577,017
3	2	Child welfare attendance and safety (service)	LEA-wide	All	all schools	\$ -	\$ 161,010
3	3	Foster youth liaison and support staff	Targeted	Foster Youth	all schools	\$ -	\$ 70,987
Totals:						\$ 3,544,521	\$ 4,424,965

Considerable effort has been invested in attempting to reduce the size of LCAPs, as the readability of larger LCAPs has been a concern for stakeholders for many years. To that end, the goals, actions, and services section of the new template includes prompts that function as an annual update. To satisfy the requirement for LEAs to adopt an update annually, LEAs may need to complete the Annual Update section of the current LCAP template (2017-20) as well as adopt a 2020-23 LCAP. Other LCAP requirements, such as the inclusion of a budget overview for parents and the inclusion of a federal addendum, will remain.

LEAs should begin discussing the impact of the changes to the 2020-23 LCAP template and start preparing for engagement with stakeholders. The new template, while retaining some similarities with the prior LCAP, will be a significant departure from what stakeholders have known. The overall intent of the template revisions is to increase communication and transparency with stakeholders. The changes are also aimed at making the LCAP a more useful strategic planning tool for districts to address the needs of all students, including unduplicated pupil subgroups.

Pension Contribution Rates

The 2019-20 state budget included some pension relief for public education employers; specifically, a \$3.15 billion non-Prop. 98 general fund payment on behalf of employers to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated \$850 million will buy down the employer contribution rates in 2019-20 and 2020-21.

The CalSTRS employer contribution rates are 17.1% in 2019-20 and 18.4% in 2020-21.

The CalPERS Schools Pool employer contribution rates are 19.721% in 2019-20 and 22.7% in 2020-21.

The remaining \$2.3 billion will be paid toward the employers' long-term unfunded liability for both systems. Overall, this payment is expected to save employers \$6.1 billion over the next three decades, with an estimated reduction in the out-year contributions.

Special Education

The enacted state budget includes the statutory COLA of 3.26%, which results in a 2019-20 statewide target rate of \$557.27 per ADA (an increase of \$17.59 per ADA). The official statewide average program specialist/regionalized services rate for 2019-20 is \$16.49.

The budget includes up to an additional ongoing \$152.6 million to increase funding for the low-funded SELPAs to the 2019-20 AB 602 statewide target rate of \$557.27 per ADA.

There is also \$492.7 million in one-time funding to provide special education early intervention preschool grants to LEAs serving children between the ages of 3 and 5 years, inclusive, with individualized education programs, except those enrolled in kindergarten or transitional kindergarten. Funding will be allocated to the school district of residence based on the December 2018 eligible pupil count. Districts will not be required to apply for these funds. The amount of funding per eligible pupil is estimated to be approximately \$9,010 and will be unrestricted. Although these funds were calculated on the basis of special education unduplicated preschool counts, their expenditures are not restricted to those same students or for special education related services. There should be no impact to an LEA's maintenance of effort if funds are used for existing special education related services or for non-special education expenditures charged to a specific goal (to avoid any increase in special education's share of the program cost report undistributed support cost allocation). The allocation of this funding in the state budget will increase the state maintenance of effort so this increased funding will continue to be allocated for special education; however, the allocation method may change. Therefore, this funding must be considered one-time for 2019-20

In addition, for special education funding to be computed for 2020-21, the enacted state budget requires the inclusion of statutory changes in the 2020-21 Budget Act designed to improve the academic outcome of individuals with exceptional needs, which may include, but are not limited to the following:

- An examination of the role of SELPAs in delivering special education services, including increasing accountability and incorporation into the statewide system of support.
- Expansion of inclusive practices to ensure every individual with exceptional needs has access to learn in the least restrictive environment.
- Opportunities for LEAs to receive state and regional support to address disproportionality of special education identification, placement, and discipline, as applicable, and ensure equitable access to services for individuals with exceptional needs.
- A review of existing funding allocations for special education.

Early Childhood Education

Significant adjustments were included in the final 2019-20 Budget Act and trailer bills for early childhood education.

Access and Eligibility

- Provides \$153.3 million for 12,546 new slots.
- Adds 3,086 general childcare center contract (CCTR) spaces with \$50 million general fund (transitioning to Prop. 64 cannabis tax fund in the out years).
- Adds 8,162 Alternative Payment Program (APP) spaces with \$80.5 million from Prop. 64 cannabis fund.
- Adds 1,298 APP spaces with \$12.8 million from the federal child care and development fund.
- Provides 10,000 full-day State Preschool spaces for non-LEAs beginning April 1, 2020.
- Allocates \$31 million in general fund in 2019-20, and \$125 million in 2020-21.
- Expands eligibility to all families in school attendance areas where 80% or more students qualify for free or reduced price meals.

Facilities

- Provides \$245 million over five years for infrastructure grants. All funding is for non-LEAs.
- Moves \$18 million from the child care revolving fund into a grant.

Other Program Changes

- Provides \$56.4 million to implement 12-month eligibility for CalWORKS Stage 1.
- Provides \$5 million one-time general fund for a master plan for an early childhood education roadmap.
- Provides \$2.2 million to establish the Early Childhood Policy Council.
- Changed definition of 3- and 4-year-old children for State Preschool (Ed Code 8208) <https://codes.findlaw.com/ca/education-code/edc-sect-8208.html>

- “Three-year-old children” means children who will have their third birthday on or before December 1 of the fiscal year in which they are enrolled in a California state preschool program. Children who have their third birthday on or after December 2 of the fiscal year, may be enrolled in a California state preschool program on or after their third birthday. Any child under four years of age shall be served in a California state preschool program facility, licensed in accordance with Title 22 of the California Code of Regulations.
- “Four-year-old children” means children who will have their fourth birthday on or before December 1 of the fiscal year in which they are enrolled in a California state preschool program.
- Income eligibility for all CDE funded early childhood education programs was updated to 85% of the state median income. A family of four can make up to \$6,719 per month (\$80,623 annually).
<https://www.cde.ca.gov/sp/cd/ci/mb1903.asp>.
- Family fees updated: <https://www.cde.ca.gov/sp/cd/ci/mb1904.asp>.
- Optional staff training days: <https://www.cde.ca.gov/sp/cd/ci/mb1905.asp>.
- Required collection of data for subsidized child care providers
<https://www.cde.ca.gov/sp/cd/ci/mb1906.asp>.

Standard Reimbursement Rate Increases & Adjustment Factors

The Budget Act of 2019 (Assembly Bill (AB) 74, Chapter 23), includes increases to the standard reimbursement rate effective July 1, 2019, inclusive of the 3.26% COLA.

- General Child Care (CCTR), Migrant (CMIG), Severely Disabled Program (CHAN) – \$49.54
- CSPP – full day \$49.85
- CSPP – part day \$30.87

Charter Schools

Assembly Bills 1505 and 1507 include numerous changes affecting charter schools and those associated with them. These are some of the more prominent provisions:

- When reviewing a petition for a new charter school or an existing charter that is expanding sites or grade levels, an authorizer can now consider the impact on the community and on the neighborhood schools, including fiscal impact.

- An authorizer can now deny a charter petition when the school district in which the charter school would be located is in fiscal distress, as determined by the county superintendent of schools in consultation with FCMAT.
- Extends from 30 to 60 days the time an authorizer has to hold an initial public hearing on a charter petition to consider support by district teachers and other employees and also parents. Extends from 60 to 90 days the time an authorizer has to hold a final public hearing to either grant or deny the petition. If mutually agreed upon, this deadline may be extended by 30 additional days.
- At least 15 days before the public hearing to grant or deny the petition, the authorizer shall publish all staff recommendations and findings and also the county superintendent's certification of fiscal distress, if applicable. During this hearing, charter petitioners must be given equivalent time to respond to the recommendations and findings.
- Petitioners may only appeal to the SBE when claiming abuse of discretion by the county board of education or school district. If the appeal is upheld, the SBE will designate either the county board of education or the school district's governing board as the charter authorizer.
- Any charter school currently authorized by the SBE will have its authorization transferred to its local school district or county office of education upon renewal.
- A tiered system for charter school renewals has been created based on the state's school accountability indicators. This provides longer renewal periods for high- and middle-performing charter schools and shorter renewal periods or non-renewal for low-performing charter schools.
- A two-year moratorium has been placed on the formation of new nonclassroom-based charter schools, with limited exceptions. Accordingly, this prohibits authorization from January 1, 2020 through January 1, 2022.
- Credentialing requirements have been revised for new and current teachers.
- For 2020 California School Dashboard results, beginning July 1, 2020, authorizers will be required to provide differentiated assistance to low performing charter schools. For 2022 California School Dashboard results, beginning July 1, 2022, county offices of education will be required to provide differentiated assistance to low-performing charter schools.
- The ability to authorize a charter school outside the boundaries of an authorizing school district is eliminated with limited exceptions. Existing charters operating this way may continue until renewal, at which time the charter school must renew with the school district where it is operating.

Other Grants

After School Education and Safety Program (ASES)

In response to cost pressures in the After School Education and Safety Program (ASES) related to recent increases in the state's minimum wage, the budget includes \$50 million ongoing Prop. 98 general fund to provide an increase of approximately 8.3% to the per-pupil daily rate for ASES (increasing this rate from \$8.19 to \$8.87 per day).

Classified School Employees Summer Assistance Program

Allocates \$36 million in one-time Prop. 98 general fund for an additional year of funding for this program, which offers a state match for classified employee savings used to provide income during summer months. Amends trailer bill language to allow funds to be available over a three-year period.

Early Learning and Care Workforce Development Grants Program

The budget includes \$195 million over five years to provide early learning and workforce grants to all 58 counties. Each county will have one grantee that is a "quality improvement partnership," such as a county office of education, local planning council, or Quality Counts California consortium. The budget also includes an additional \$10 million for the Inclusive Early Education Expansion Program (IEEEP) grant. The IEEEP was approved in the budget last year and provides \$167 million for LEAs to build or modify facilities and provide professional development to increase inclusive practices in early education and care programs.

Mental Health Services

The budget includes \$50 million (\$10 million ongoing, \$40 million one-time) to provide grants for partnerships between schools and behavioral health departments. All grantees must include (1) a school district, (2) a local behavioral health agency, and (3) a county office of education or charter school. The number of grants and the grant recipients will be determined by the Mental Health Services Oversight & Accountability Commission. Funds must be used to provide one or more of the following services: services on campus, suicide prevention, dropout prevention, outreach to at-risk and LGBTQ youth, and placement assistance for students needing ongoing assistance. Funds may be used to hire mental health personnel, provide professional development to school staff, provide early intervention, or any other prevention strategy as determined by the commission.

Retaining and Supporting Teachers and Administrators

The enacted state budget reflects \$89.8 million in one-time non-Prop. 98 funding to establish the Golden State Teacher Grant program. The California Student Aid Commission is charged with providing one-time grants of \$20,000 to each student enrolled in a professional preparation program leading to a preliminary teaching credential, if the student commits to working in a high-need field at a priority school for four years after the student receives a teaching credential.

An additional \$43.8 million one-time non-Prop. 98 competitive grant is to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around English learners, inclusive practices, social emotional learning, computer science, and restorative practices as well as subject matter competency, including STEM. Of this amount, \$6.7 million was appropriated to the California Subject Matter Projects.

Finally, the commitment includes \$13.8 million in ongoing federal funds for professional learning opportunities for public K-12 school administrators to provide the knowledge, skills, and competencies necessary to successfully support diverse student populations. The training and resources developed because of this proposal will be provided in alignment with the statewide system of support.

Wildfire-Related Cost Adjustments

Provides an increase of \$2 million one-time Prop. 98 general fund to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of \$727,000 one-time Prop. 98 general fund reflects adjustments to the state's student nutrition programs resulting from wildfire-related losses. Further, the budget holds both school districts and charter schools impacted by the 2018 wildfires harmless for state funding for two years. Previous language excluding LCFE hold harmless funding for charter schools serving 50% or more ADA than prior to wildfires was removed.

Summary

As stated in the Introduction, this edition of the Common Message contains information for LEAs to utilize in preparing their 2019-20 first interim budgets. It is imperative for LEAs to stay well-informed, consider the impact of proposed and potential changes, both fiscal and programmatic, and adapt accordingly.