

The Marin Common Message

2019-20 Second Interim

MARIN COUNTY OFFICE OF EDUCATION

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Second Interim Budget Key Guidance

The release of the Governor's budget begins the six-month process of enacting a new state spending plan. The Governor's 2020-21 budget proposal estimates the 2020-21 cost of living adjustment (COLA) will be 2.29% and the 2021-22 COLA will be 2.71%. Outside of funding the COLA, the Governor's budget for K-12 Education includes one-time funding to support educator recruitment and training, funding opportunities for the state's neediest schools, a one-time grant opportunity for the development of innovative community school models and additional funding to strengthen and improve school meal programs. The Governor is also proposing additional investments in special education with a new funding formula, increasing the base rate by 15% over the 2019 Budget Act. The Marin County SELPA represents almost one-fifth of the districts state-wide that will not see any increase in funding from this additional investment in equalizing base rates across all SELPAs.

The State Board of Education approved the new Local Control Accountability Plan (LCAP) template for use in the new three year planning cycle ten days after the Governor's budget proposal was released. We recommend using the second interim budget update as an opportunity to evaluate progress against LCAP goals and to identify any spending priorities in the 2020-21 budget to address student achievement. The new template incorporates a streamlined design that emphasizes the through line of the LCAP process and moves budget and compliance data to a series of tables.

Elements Introduced in the Governor's Proposal for 2020-21

Governor Gavin Newsom's budget proposal for 2020-21 continues to build reserves to promote a more effective government that can withstand a downturn in the economy, as well as emergencies and disasters. While the state is prepared for an economic downturn with reserves of \$21 billion, nevertheless, managing a recession will be challenging, as even a moderate recession could result in revenue declines of nearly \$70 billion and a budget deficit of over \$40 billion over three (3) years. In the 2020-21 budget proposal as with the current year budget, most of the surplus is devoted to one-time spending. This approach enables the state to make significant investments in critical areas while also maintaining reserves.

Proposition 98

The Prop. 98 funding for K-12 schools and community colleges for 2020-21 is \$84 billion, which represents an increase of \$3 billion over the amount funded in the 2019 Budget Act.

Major K-12 highlights from the Governor's 2020-21 education proposals include:

- **LCFF COLA** – Provides \$1.2 billion Prop. 98 general fund increase for the LCFF, which reflects a 2.29% COLA and brings total LCFF funding to \$64.2 billion.
- **Recruitment and Professional Development** – Provides \$900 million for teacher training and recruitment. The funding will support grants for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority

school; training and resources for classroom educators; and professional learning opportunities for public K-12 administrators and school leaders.

- **Expanded Supports and Services for the State’s Neediest Schools** – Provides \$300 million for one-time grants and technical assistance to prepare and implement improvement plans at the state’s lowest-performing schools.
- **Community School Grants** – Provides \$300 million one-time for competitive grants to develop community school models with innovative partnerships that support mental health and the whole child.
- **Special Education** – The 2019 Budget Act included a \$645 million increase for special education. The increase provided all SELPAs with at least the statewide target rate for base special education funding and increased the funding based on the number of children age 3 to 5 years with exceptional needs. For 2020-21, the Governor proposes an additional \$250 million for special education to bring the total amount of funding invested in equalizing the base rate to approximately \$900 million.

Pursuant to the current year budget, the continued allocation of these funds was contingent upon the adoption by the Legislature and Administration of reforms to the special education funding formula and special education accountability system as part of the 2020 Budget Act. For 2020, the Governor proposes a three phase process that will focus on increased funding, a new funding formula, and expanding statewide supports leading to improved specialized services.

- **Early Childhood Education** - The Governor’s January Budget for 2020-21 proposes to create the Department of Early Childhood Development under the Health and Human Services agency, effective July 1, 2021. This new department will implement recommendations from the Master Plan for Early Learning and Care.

Also, the 2020-21 budget proposes \$50 million in ongoing funding from the Cannabis Fund to support over 3,000 general child care slots previously funded with general fund, and an additional \$10.3 million Cannabis Fund for an increase of 621 general child care slots.

The 2020-21 budget proposes an increase of \$31.9 million in 2020-21 and \$127 million ongoing non-Prop. 98 general fund to support an additional 10,000 State Preschool slots at non-LEAs beginning April 1, 2021. Additionally, \$75 million in Prop. 98 general funds is included to expand the Inclusive Early Education Expansion Program, which provides funding to LEAs to construct or modify preschool facilities to serve students with exceptional needs or severe disabilities.

Planning Factors for 2019-20 and MYPs

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

Planning Factor	2019-20	2020-21	2021-22
Statutory COLA	3.26%	2.29%	2.71%
STRS Employer Rates	17.10%	18.40%	18.10%
PERS Employer Rates	19.721%	22.80%	24.90%
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	\$32.92	\$33.81
9-12 per ADA	\$61.94	\$63.36	\$65.08
Mandated Block Grant for Charters			
K-8 per ADA	\$16.86	\$17.25	\$17.72
9-12 per ADA	\$46.87	\$47.94	\$49.24
State Preschool (CSPP) Reimbursement			
Part-Day Daily Rate	\$30.87	\$31.58	\$32.44
Full-Day Daily Rate	\$49.85	\$51.00	\$52.37
General Child Care (CCTR)			
Daily Reimbursement Rate	\$49.54	\$50.67	\$52.04
After-School Education & 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 <i>unrestricted</i>	\$4,570 <i>restricted</i>	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%.

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 2020-21. 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 COLA than seen in prior years, the need for fiscal prudence to maintain reserves and refrain from deficit spending remains. In addition, the projected COLA is 2.29% for 2020-21, significantly lower than expected. This could have a negative impact on districts that have already settled their labor negotiations.

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 collect information necessary to complete the current plan while 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 adopted a new LCAP template for the coming three-year cycle.

In developing and adopting their 2019-20 second interim reports, we recommend LEAs :

- Review progress to date on implementation of planned actions and services in their adopted LCAPs;
- Begin gathering and reporting any preliminary data available for the annual update, and
- Assess any budgetary changes in the interim report that might impact the LEA's ability to implement the LCAP. In addition, LEAs should have already reviewed local data and CALPADS submissions and identified any possible areas of concern regarding budget priorities and the California School Dashboard.

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.

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 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 \$6.9 billion over the next three (3) decades.

- 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 22.8% in 2020-21.

Special Education

The Governor's budget proposals for special education begin by acknowledging the significant shortfall in federal funding provided for special education services. The federal government funds only about 10% of special education costs in California, woefully short of the stated 40% goal, and only a small fraction of preschool special education costs. The Governor also expresses multiple concerns with the existing California special education funding formula including complexity, administrative burden and expense, varying SELPA funding rates and various supplemental add-ons with varying formulas and restrictions. Following research conducted by the Administration and Legislature during 2019, which included consulting with LEAs, SELPAs and stakeholders to determine best practices and opportunities, the Governor proposes a multiyear process to improve special education finance, services and student outcomes.

For the 2020-21 fiscal year, the Governor proposes a revised special education base funding formula using a three-year rolling average of local educational agencies ADA, including districts, charters and COEs, while continuing to allocate funding to SELPAs. The budget includes an additional, ongoing \$645 million for distribution through the new formula, which includes \$152.6 million in AB 602 funding and redirecting \$492.7 million in special education early intervention grant funding, both of which were provided in 2019-20. This additional, ongoing funding would further increase base funding rates of the lowest funded SELPAs to a new base funding rate. The Governor estimates most LEAs would experience an increase in base funding, and approximately 100 LEAs with current funding rates higher than the new base rate would be held harmless. The Marin County SELPA base rate is higher than the proposed new base rate and will therefore be held harmless. We anticipate trailer bill language detailing the held harmless mechanism will be released shortly.

The 2020-21 budget also proposes an additional \$250 million in ongoing funding based on the number of children ages 3 to 5 years with exceptional needs. The budget proposal also includes one-time funding again for 2020-21 to be allocated to districts based on the number of preschool-age children with disabilities served. However, the 2020-21 proposal would require school districts to allocate these funds to new, expanded or improved services, including for services not required by the federal Individuals with Disabilities Education Act (IDEA). For the 2020-21 fiscal year, the budget proposes that all other existing AB 602 special education categorical funding sources remain frozen at 2019-20 attendance ratios, pupil counts, and or allocations until a new funding formula is adopted in a future fiscal year. Additionally, the budget proposes expanding the allowable use of Educationally-Related Mental Health Services funding for services not necessarily required under the federal IDEA.

The budget also proposes \$500,000 in one-time funding for a study of the current SELPA governance and accountability structure, and \$600,000 in one-time funding for two (2) workgroups to study improved accountability for special education service delivery and student outcomes. Finally, the budget proposes \$4 million one-time funding for dyslexia research, training and a statewide conference.

In future phases, the Administration anticipates finalizing the new special education funding formula, incorporating statutory changes based on recommendations from the governance and accountability workgroups established in the 2020-21 budget, pursuing reforms related to family and student engagement and incorporating recommendations from the Master Plan for Early Learning and Care.

Federal Programs

The recently passed \$1.4 trillion federal spending package includes increased funding for all the major education programs as listed below, bringing education funding nationally to \$72.8 billion. California receives approximately 10% of this funding.

Among the largest increases are spending levels for Title I, the Individuals with Disabilities Education Act (IDEA), and investments in various early childhood programs including Head Start and the Child Care and Development Block Grant. This package sets federal funding levels through September 2020, the end of the federal fiscal year. This impacts school district awards for the 2020-21 fiscal year.

Appropriation (in millions of dollars)				
Program	FY 2019	FY 2020	Increase/ (Decrease)	Percent Change
Title I Grants	\$16,544.0	\$16,996.8	\$452.8	2.7%
Title II (Teacher Quality)	2,055.8	2,132.0	76.2	3.7%
Title III (English Language Acquisition)	737.4	787.4	50.0	6.8%
Title IV-A (Student Support and Academic Enrichment)	1,170.0	1,210.0	40.0	3.4%
Education Innovation and Research	130.0	190.0	60.0	46.2%
Impact Aid	1,446.1	1,486.1	40.0	2.8%
21st Century Community Learning Centers	1,221.7	1,249.7	28.0	2.3%
Charter School Grants	440.0	440.0	0.0	0.0%
IDEA Part B State Grants	12,364.4	12,764.4	400.0	3.2%
Career Technical Education State Grants	1,262.6	1,282.6	20.0	1.6%
Adult Education State Grants	656.0	671.0	15.0	2.3%
TRIO	1,060.0	1,090.0	30.0	2.8%
Head Start (including Early Head Start)	10,063.1	10,613.0	549.9	5.5%
Child Care Development Block Grant	5,276.0	5,826.0	550.0	10.4%
Preschool Development Grants	250.0	275.0	25.0	10.0%

In addition to increased spending, the budget permanently repeals the “Cadillac Tax” on employer health insurance plans.

Summary

The Common Message is designed to assist LEAs in developing budgets and interim reports. How this information affects each LEA is unique. With this in mind, LEAs should evaluate their individual educational and financial risks.