

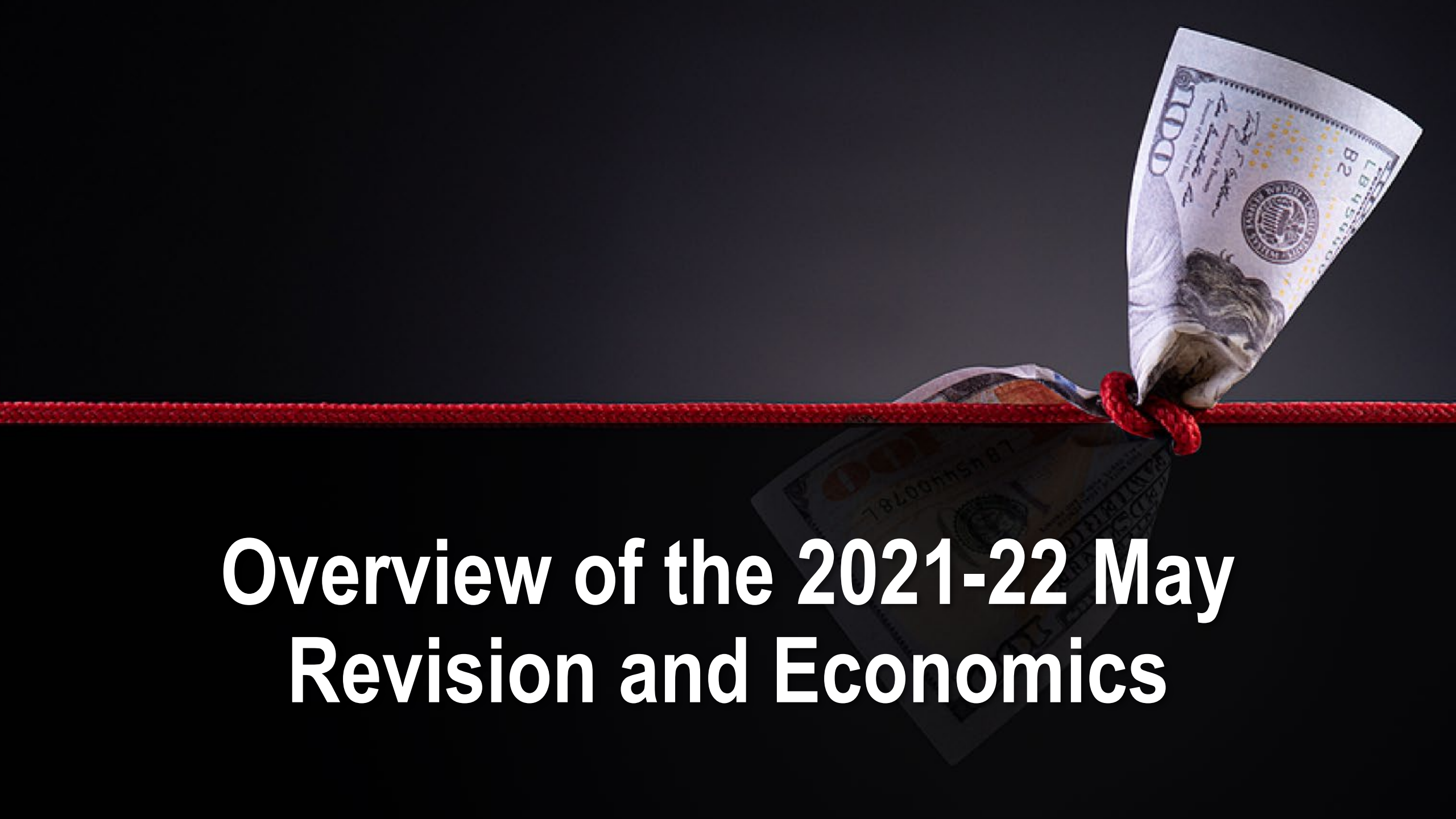
May Revision Update

Board of Education Meeting
May 20, 2021



School
Services
of California
INC.™

An Employee-Owned Company

A US dollar bill is tied to a red rope, symbolizing financial ties or economic impact. The bill is partially visible, showing the number '100' and the word 'ONE'. The rope is a thick, red, braided cord. The background is dark and reflective, showing a faint reflection of the bill and rope.

Overview of the 2021-22 May Revision and Economics

2 Themes for the May Revision

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- California is “roaring back” from the initial dark days of the health pandemic that has gripped the state for nearly a year and a half
- Governor Gavin Newsom balances his robust—and arguably aggressive—spending proposals with over \$24 billion in reserves, including an historic deposit into public education’s rainy day fund
- The significant investments in the May Revision—namely, the increased ongoing education spending obligations—can create out-year risks for the state and for local leaders if the economic assumptions underlying the May Revision prove tenuous
- Local educational leaders can look forward to increased revenues that will help them expand access to high-quality educational and support services to California’s six million students, including programs to accelerate and enrich academic learning

3 **Economic Effects of COVID-19**

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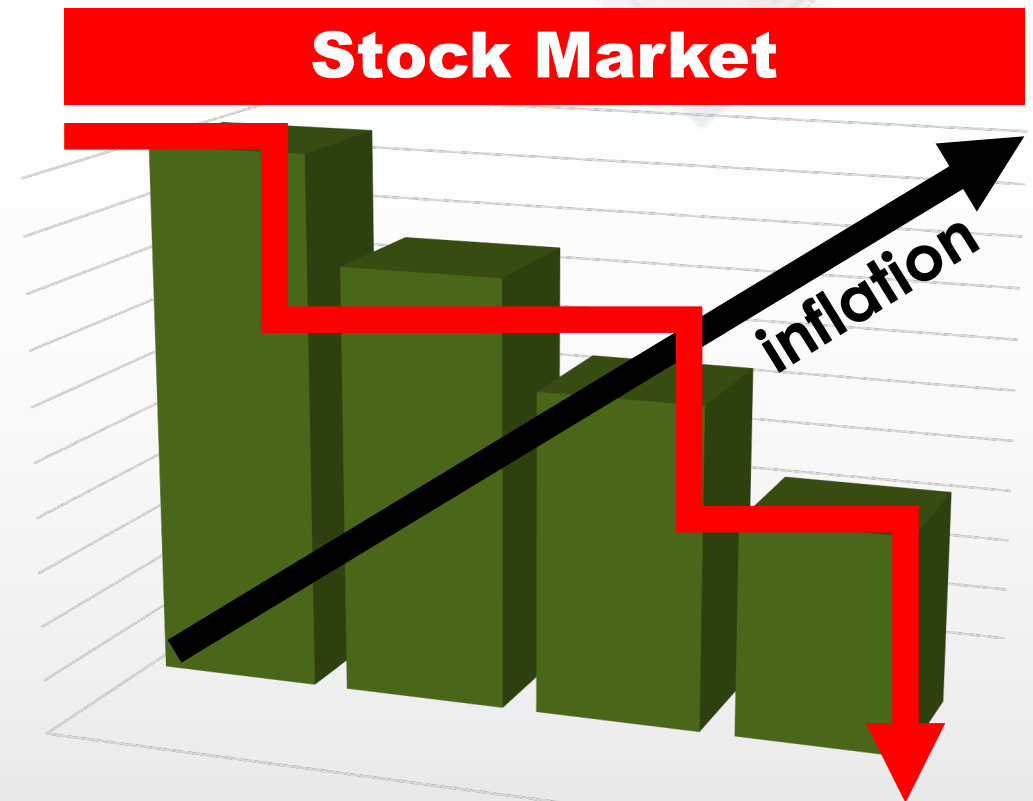
- **Leading up to the May Revision, Governor Newsom announced that the state was facing a \$100 billion surplus, dubbed the “California Comeback Plan”**
 - **\$76 billion from extra state revenues and \$25 billion from federal resources**
 - **The forecasted \$54 billion deficit of one year ago is a distant memory**
- **While California’s coffers are overrun, not all Californians’ bank accounts are experiencing the same**
 - **California’s unemployment rate was at 8.3% in March 2021**
 - **\$12 billion of the California Comeback Plan is direct cash payments to expand the Golden State Stimulus**



Risks to the Budget

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- Governor Newsom's California Comeback Plan contains over \$100 billion in recovery programs and services
- This May Revision is a welcome change from last year when the Governor was contemplating how to absorb a projected \$54 billion budget shortfall, but there are risks to the budget
 - More economists are growing concerned about runaway inflation with demand outpacing supply
 - Federal Reserve may be reluctant to quell inflation risks by increasing interest rates
- Combined, this could spook investors, who generate more than 50% of California's personal income tax revenue—the largest source of General Fund revenue and the leading source of our economic recovery



A \$100 bill is shown, partially obscured by a thick red rope that runs horizontally across the frame. The rope is tied in a knot around the bill, which is positioned diagonally. The bill is white with green and yellow accents, and the number '100' is visible. The background is dark and reflective, showing a faint reflection of the bill and the rope. The text 'Proposition 98 and Education Funding' is overlaid in white, bold, sans-serif font in the lower right quadrant.

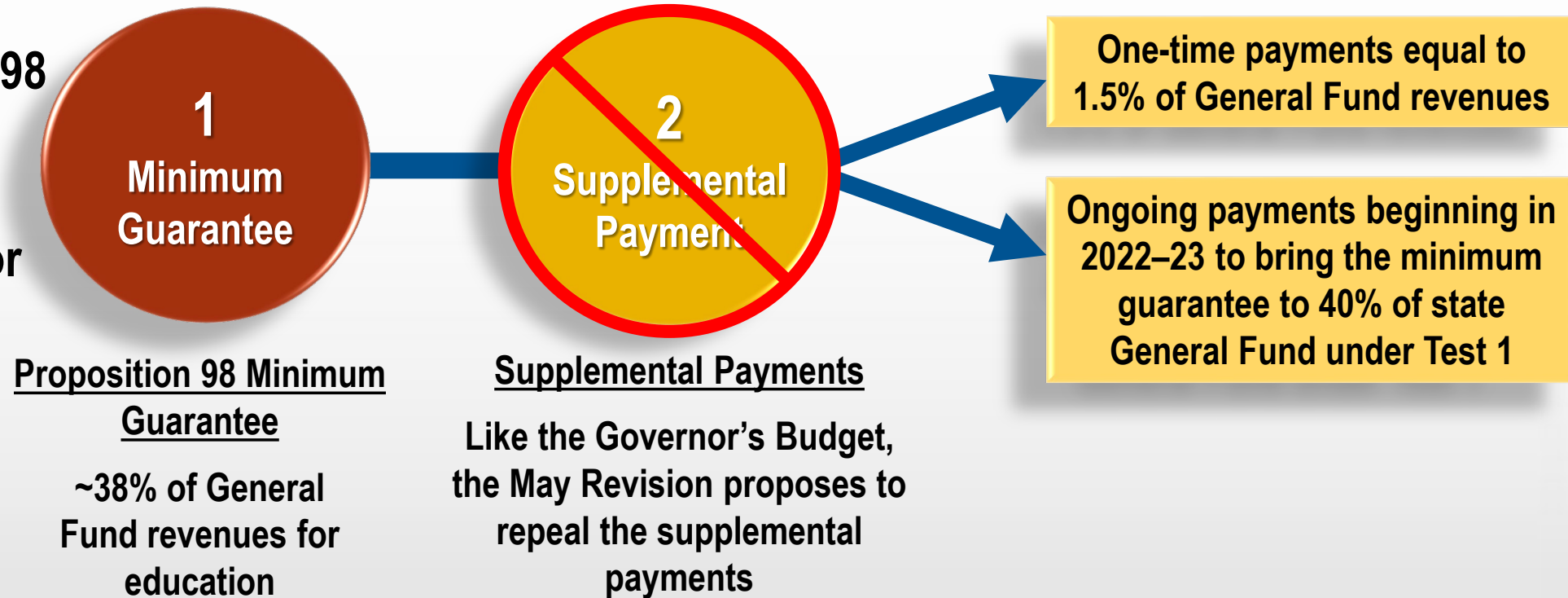
Proposition 98 and Education Funding

6 Education Funding for 2021–22

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- Education funding in the Governor’s Budget included the Proposition 98 minimum guarantee and a one-time supplemental payment of \$2.3 billion while proposing to repeal the 2020 Budget Act’s supplemental payment provisions

- Instead, Proposition 98 will be permanently increased by \$2.7 billion* to pay for ongoing costs of universal transitional kindergarten

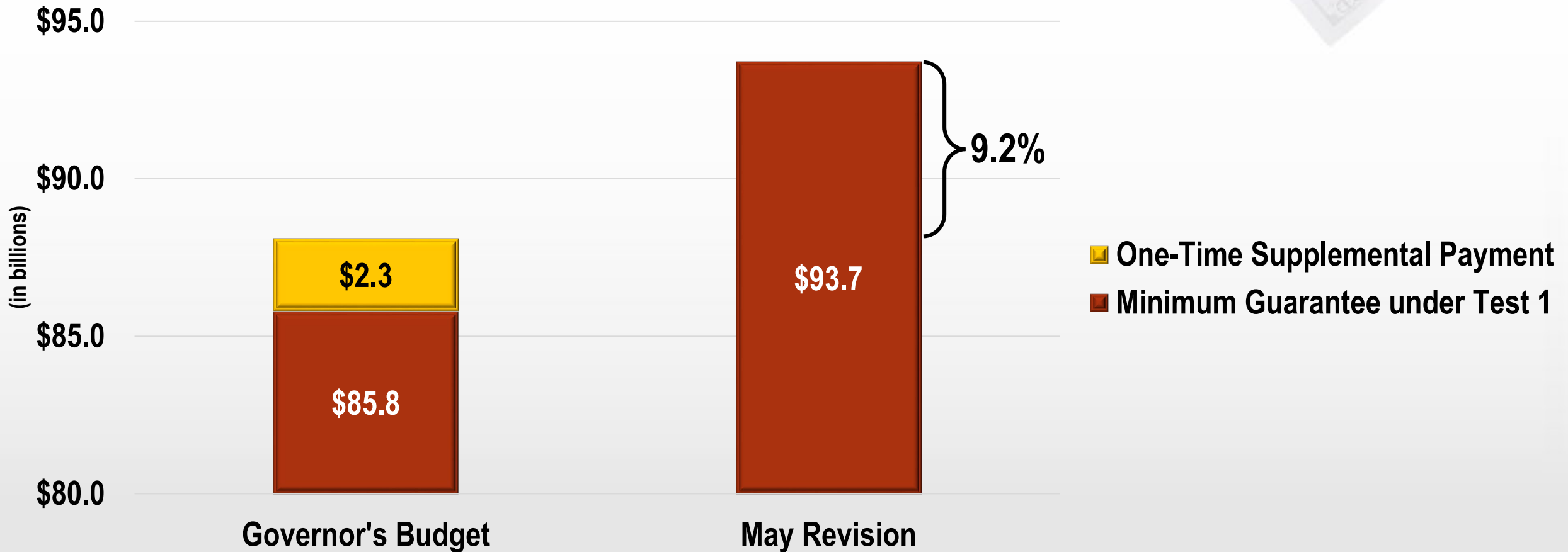


*Beginning with \$900 million in 2022–23 and growing to \$2.7 billion in 2024–25 and ongoing

7 Education Funding for 2021–22

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2021–22 Funding Governor's Budget vs. May Revision



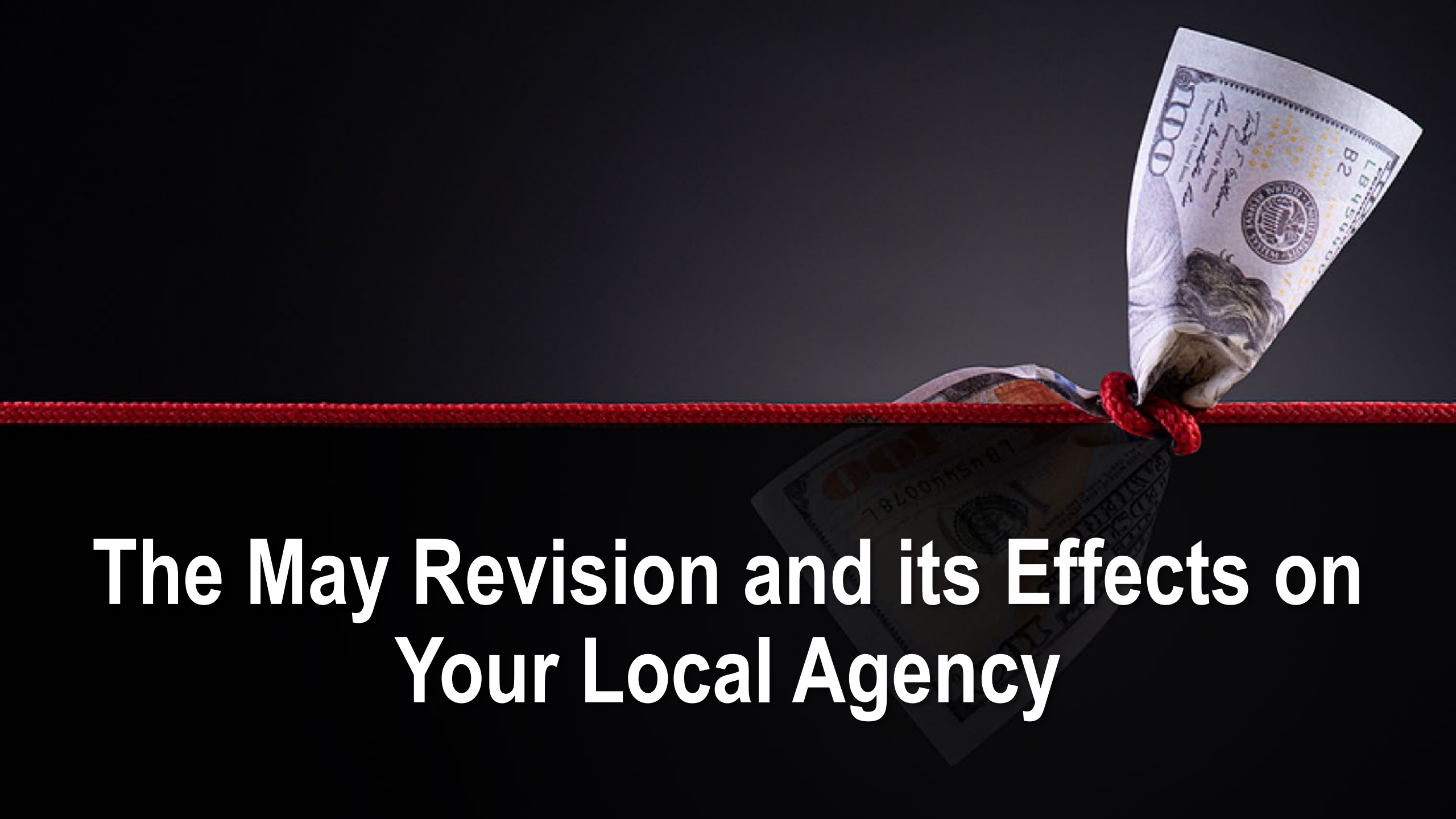
Governor's Budget vs. May Revision

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Item	Governor's Budget	May Revision
LCFF Funding Increase	\$2 billion	\$3.2 billion
Proposition 98 Minimum Guarantee		
2019–20	\$79.5 billion	\$79.3 billion
2020–21	\$82.8 billion	\$92.8 billion
2021–22	\$85.8 billion	\$93.7 billion
2021–22 Statutory COLA	1.5%	1.7%
2021–22 Compounded COLA	3.84%	4.05%*
2021–22 LCFF “Mega” COLA	N/A	5.07%

*Only the special education and community college funding formulas will receive the compounded COLA



The May Revision and its Effects on Your Local Agency

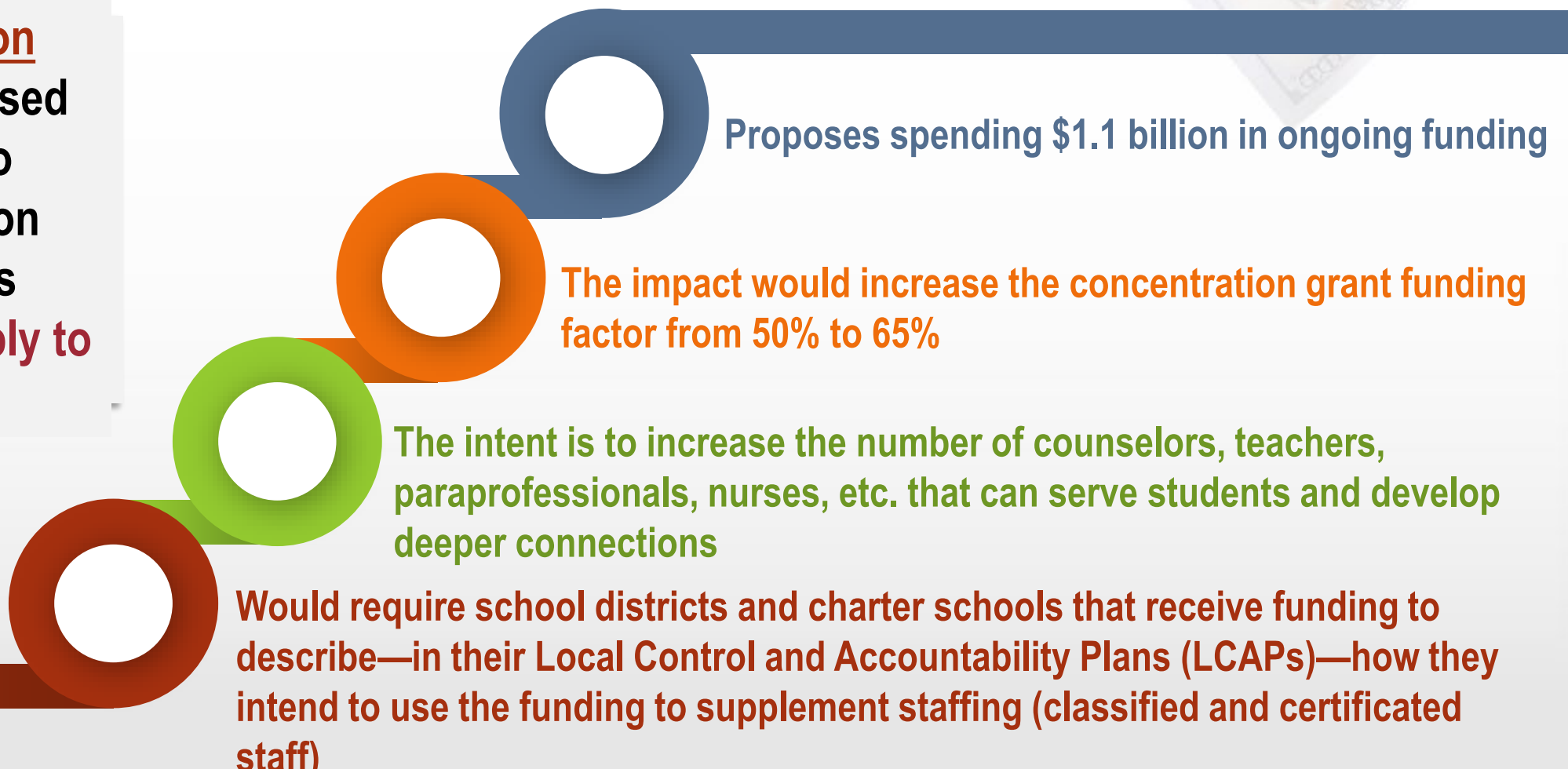
The New Concentration Grant

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May Revision

Brings proposed changes to concentration grant funds

(*Does not apply to FCUSD)



Proposes spending \$1.1 billion in ongoing funding

The impact would increase the concentration grant funding factor from 50% to 65%

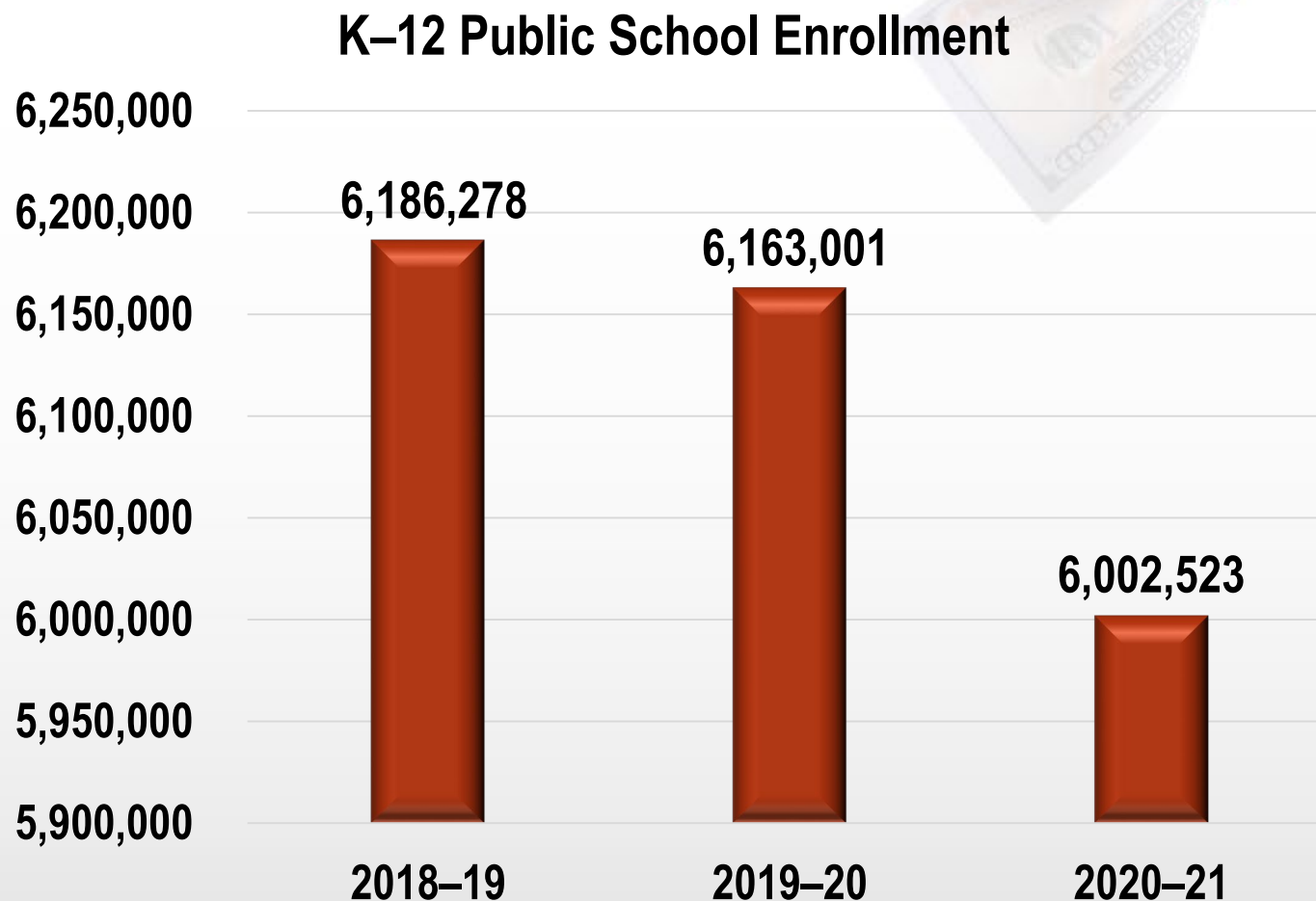
The intent is to increase the number of counselors, teachers, paraprofessionals, nurses, etc. that can serve students and develop deeper connections

Would require school districts and charter schools that receive funding to describe—in their Local Control and Accountability Plans (LCAPs)—how they intend to use the funding to supplement staffing (classified and certificated staff)

Managing Enrollment and ADA

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- The pandemic impacted learning in many ways, but perhaps the starkest example is the loss of K–12 students in 2020–21
- Based on state-certified data, the state's K–12 student population declined by more than 160,000
- Sharp contrast to estimated loss of 20,000 to 30,000 annually

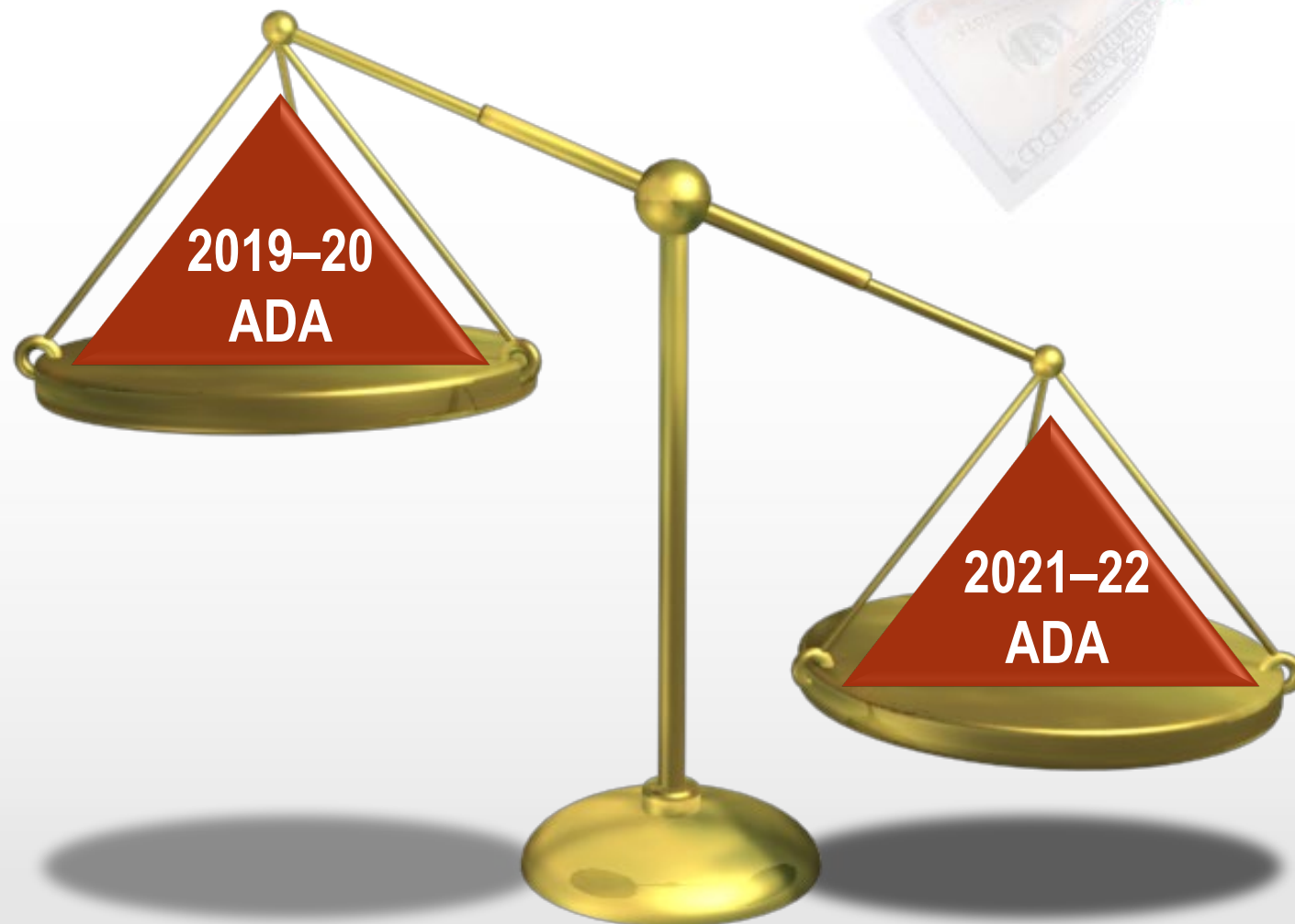


Source: DataQuest, California Department of Education (CDE)

Managing Enrollment and ADA

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- The looming question for LEAs is how many of those students will return in 2021–22
- The good news for school districts with no “dependent” charter schools is that the hold harmless provision of the 2020–21 Enacted Budget provides a one year safe-harbor
 - In 2021–22, school districts will be funded on the higher of 2019–20 ADA or 2021–22 ADA



Managing Enrollment and ADA

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- The bad news is that for many school districts an ADA cliff is looming in 2022–23
 - Charter schools, COEs and school districts with “dependent” charter schools face the ADA cliff beginning in 2021–22
- The conversation of a cliff runs contrary to much of the statewide messaging, but the cliff poses a real threat to budgets and multi-year projections
- As students return, LEAs should continue the conversation around “right-sizing” their budgets/staffing; especially if the student population does not recover with the return of in-person instruction
- The increase in COLA, and one-time federal funds provide an additional cushion, but should not be viewed as the magic fix to avoid “right-sizing”





- **The Governor's May Revision proposes to apply the compounded COLA of 4.05% to special education funding, an increase compared to the statutory-COLA only in the Governor's Budget**
 - This will increase the special education base rate from \$625.00 in the current year to approximately \$650.31 per ADA
 - No structural changes are proposed to the special education funding formula and the out of home care formula will continue to be frozen in 2021–22
- **At the Governor's Budget, \$300 million ongoing was proposed for the Special Education Early Intervention Grant, which would provide funding to districts based on the number of preschoolers with disabilities**
 - No significant changes were made to the proposal at the May Revision

15 Federal Special Education Funds

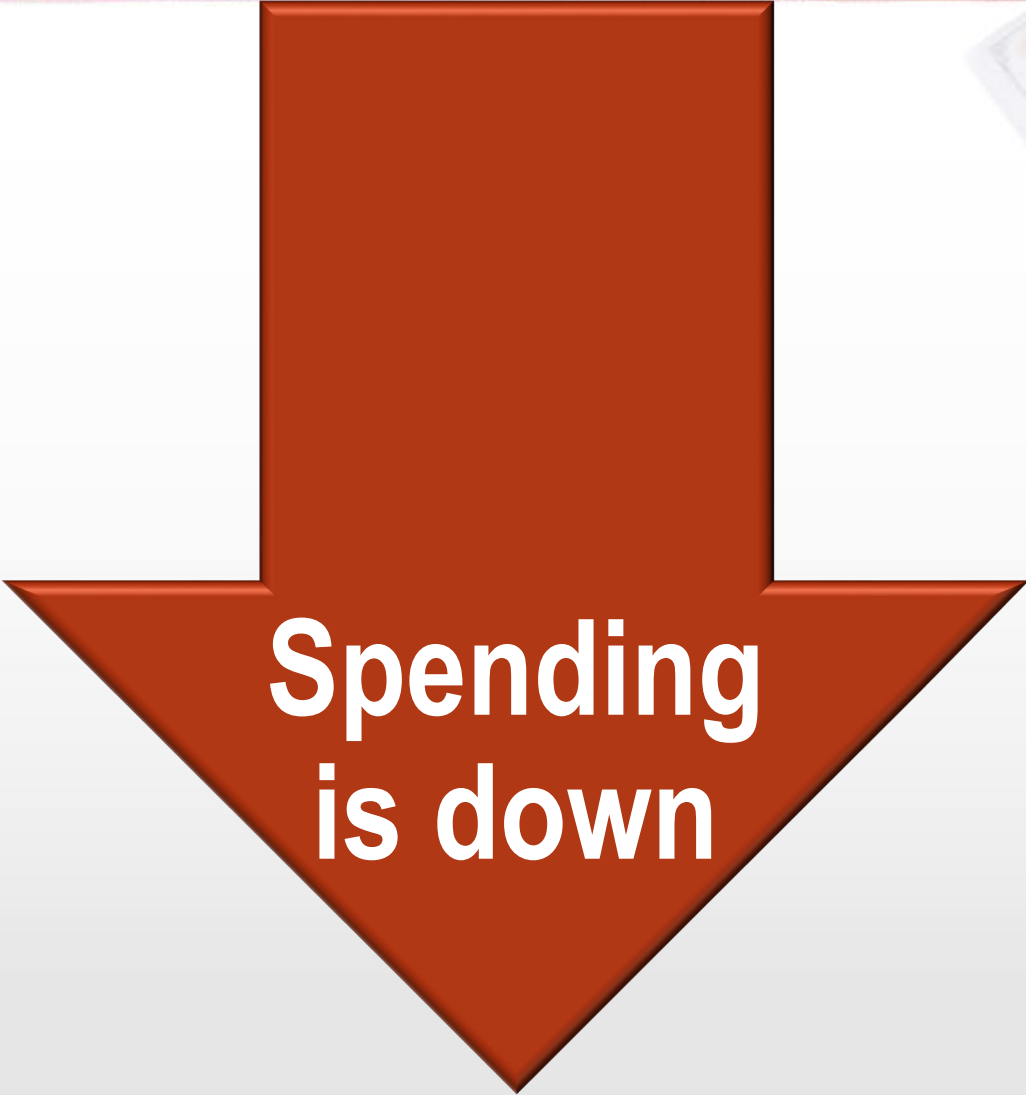
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- The American Rescue Plan provided a one-time increase to Individuals with Disabilities Education Act (IDEA) funding, which the Governor notes provides \$277.7 million to California
- The Governor also proposes the following to be funded from other federal IDEA resources:
 - 💰 **\$15 million**—To provide technical assistance and support to LEAs in developing and administering comprehensive individualized education programs
 - 💰 **\$2.3 million**—For the CDE to address special education complaints, perform court-ordered special education monitoring, and to purchase special education monitoring software
 - 💰 **\$1.2 million**—To improve coordination between the CDE, the California Department of Developmental Services, and LEAs to support the transition from infant to preschool programs, and convene stakeholder workgroups to address data sharing and disseminate best practices to increase access to more inclusive settings for three-, four-, and five-year-olds

Savings Abound—Not Always a Good Thing

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- **Vacancy savings**
 - **Paraprofessionals**
 - **Teachers**
 - **Support services**
- **Nonpublic agencies**
- **Transportation services**



**Spending
is down**

May Revision upholds that in-person instruction for the 2021–22 school year will be the default for all students and schools

- Current distance learning statutes will expire at the end of the 2020–21 fiscal year
- For families that remain hesitant to send their children back to school for in-person instruction, Governor Newsom affirms that these students may continue to be served outside the classroom, and LEAs will be able to generate state funding using existing traditional and course-based independent study statutes



Essentially, only two ways to earn state apportionment funding in 2021–22:

1. Full-time in-person instruction
2. A program that relies on independent study statutes

Distance Learning in 2021–22

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To ensure students that are served via a nonclassroom based option receive high-quality instruction, the May Revision proposes additional requirements for independent study models:

- Provide access to technology, internet connectivity, and a dedicated rigorous curriculum
- Develop and implement a framework of tiered re-engagement strategies for students not meaningfully participating in instruction and learning
- Track and record daily student participation and interaction with teachers

Despite these proposed changes, LEAs should feel comfortable moving forward with planning for a nonclassroom based option—such as virtual academies—using the legal framework of independent study



Targeted Intervention Grant

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\$2.6 billion for a new grant to supplement the Expanded Learning Opportunities Grant

Shall be used for any purpose that supports targeted and research-tested academic interventions

High-dose tutoring

Intensive re-engagement for students and families

Close learning gaps and address barriers to learning

Supports for designated students

Increased instructional time

Allocated in proportion to an LEA's LCFF entitlement

Uses one-time federal funds and one-time Proposition 98 funds, leading to different deadlines for use of the funds ranging from September 30, 2022, to June 30, 2024

In-Person Instruction Health and Safety Grant

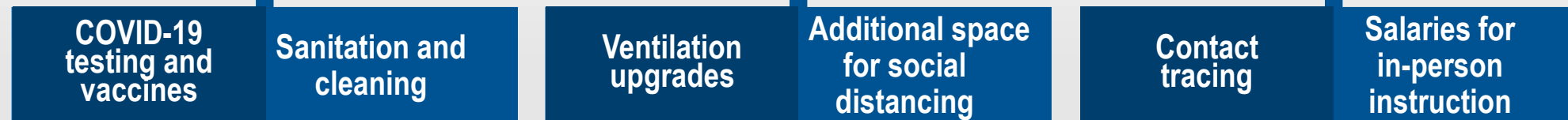
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\$2 billion for a new grant to supplement the In-Person Instruction Grant

May be used for any purpose that supports health and safety in providing in-person instruction

Allocated in proportion to an LEA's LCFF entitlement

Shall be used from July 1, 2021, to June 30, 2023



21 Summer and Afterschool Programs

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New proposal to provide no-cost afterschool and summer programs for elementary school students in districts and charter schools with high concentrations of low-income students, English learners, and foster youth **(only applies to districts receiving concentration grant funding)**

Services

- Must provide before or afterschool expanded learning that, when added to daily instructional minutes, amounts to no less than a nine-hour school day
- Must provide at least 30 days of summer school (or other intersessional period) with at least nine hours of expanded learning
- Builds on After School Education and Safety Program
- Requires 10:1 ratio for TK/K students and 20:1 for students in grades 1-6

Funding

- \$1 billion in 2021–22, growing to \$5 billion in 2025–26
- Phased implementation such that LEAs with highest proportion of low-income students, English learners, and foster youth access the funds first
- At full implementation, funds incorporated into the LCFF concentration grant

22 Universal Transitional Kindergarten

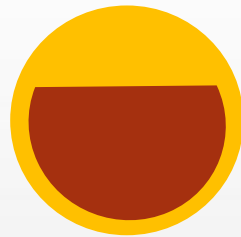
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- The May Revision proposes to achieve universal transitional kindergarten for all four-year-olds by 2024–25 with a permanent increase to Proposition 98, equaling \$900 million in 2022–23 and increasing to \$2.7 billion in 2024–25
- The proposal also includes cutting classroom ratios by half with an investment that grows from \$380 million in 2022–23 to \$740 million by 2024–25



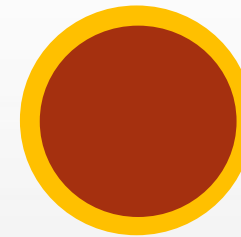
2022–23

Expand TK eligibility for four-year-olds whose fifth birthday occurs between **September 2 and March 2**



2023–24

Expand TK eligibility to four-year-olds whose fifth birthday occurs between **September 2 and June 2**

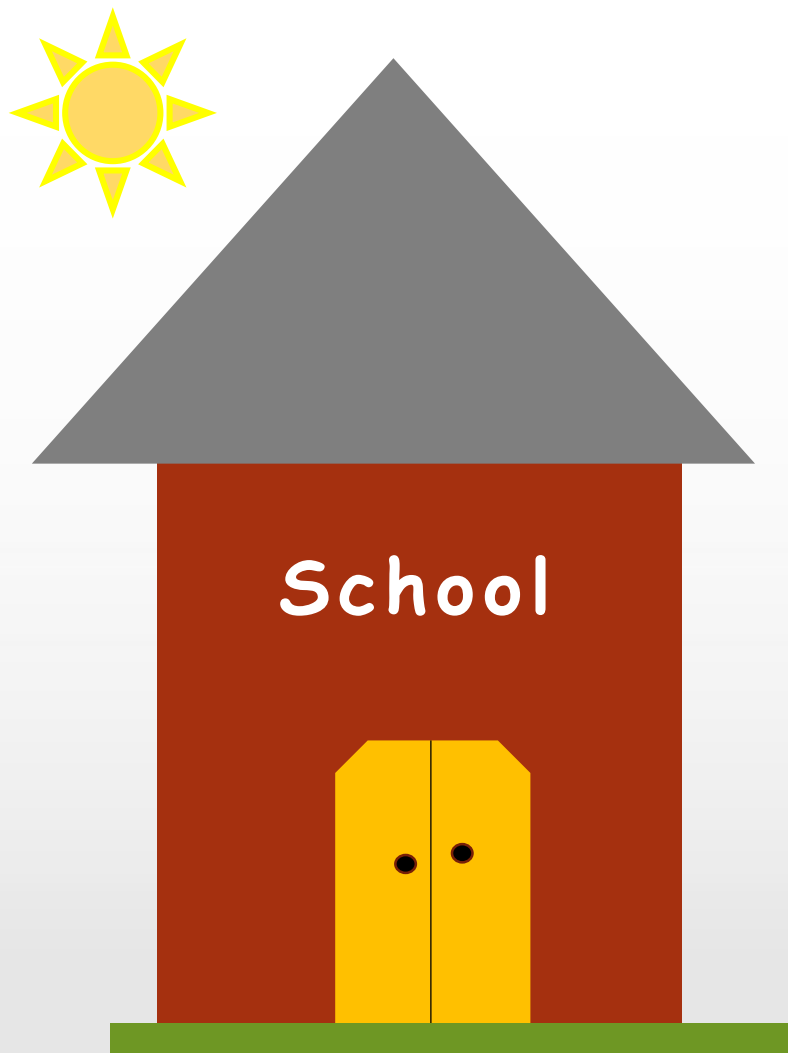


2024–25

Expand TK eligibility to four-year-olds whose fifth birthday occurs between **September 2 and September 1 of the following calendar year**

Universal Transitional Kindergarten—2021–22

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California Transitional Kindergarten (TK) Planning Grant

One-time \$250 million Proposition 98

- Grants based on 2019–20 kindergarten ADA, excluding TK, and must be encumbered by June 30, 2024
- Required report: number of students, race/ethnicity, and languages

TK/Full-Day Kindergarten Facilities Grant Program

One-time \$190 million General Fund

- Construct and retrofit existing facilities to expand TK or offer full-day kindergarten programs
- Grants may not be used to purchase portable classrooms

- Like many other areas in the May Revision, publicly funded child care programs are benefitting from the sharp economic recovery and the significant boost in state revenues

**100,000 new
child care
slots**

+6,500 more slots
Prop. 64 taxes

**Provider
protections**

Hold Harmless
Stipends

**Waived fees
for families**

Through
June 2022

**Facilities
investments**

\$250 million
one-time
federal funds

- The Senate and Assembly are both proposing even more new child care slots
- The May Revision also contemplates policy changes to the State Preschool Program for 2022–23 to achieve universal preschool access for all low-income three-year-olds

- Governor Newsom's May Revision proposes to invest in the educator workforce by providing \$3.3 billion through a mix of Proposition 98 and General Fund one-time sources in a multiyear package to support initiatives that:



Build the teacher pipeline



Encourage educator retention



Provide professional training in key areas for administrative, credentialed, and classified staff

Educator Investments—Building the Teacher Pipeline

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- The Budget proposal reflects a commitment to strengthening recruitment efforts and increasing the number of qualified teacher candidates

Golden State Preparation Program—\$500 million (one-time General Fund)

- Provides students currently enrolled in special education teacher preparation program up to \$20,000 award
- Teachers must commit to work at a priority school for up to four years within five years

Roadmap to Pre-K through 12 Educational Employment Program—\$111.1 million (one-time Proposition 98 and General Fund)

- Statewide recruitment effort to address long-term teacher recruitment needs through financial aid programs, and pathways to teaching

Classified School Employee Teacher Credentialing Program—\$125 million (one-time Proposition 98)

- Grant program addresses the state's teacher shortage by supporting LEAs to recruit classified school employees into teaching careers



Educator Investments—Building the Teacher Pipeline

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Teacher Residency Programs—\$550 million over five years (one-time Proposition 98)

- Supports approximately 22,000 teacher candidates in local and regional residency programs
- Residency programs are alternative pathways to teaching, encourage learning through teaching

Credential Fee Waiver—\$20 million (one-time)

- Credential application fees waived in 2021–22 for new teachers entering the K–12 workforce



Educator Investments—Retention and Training

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- In support of the intensive training needs for LEA employees, educator investments provide funding which supports professional learning and encourages retention of staff

Funding to Support Computer Science Certification—\$15 million (one-time Proposition 98)

- Funding supports teachers in the completion of coursework required for state certification in computer science—builds capacity in science, technology, engineering and math

Incentives for Highly Trained Teachers—\$250 million (one-time Proposition 98)

- Incentives for 2,500 National Board-Certified teachers that teach in high poverty schools to attract and retain them as mentors for other instructional staff

Classified Summer Assistance Program—\$60 million (one-time Proposition 98)

- State matching funds provided to LEAs participating in the Classified School Employee Summer Assistance Program—to be paid out during the summer recess period to participating classified employees

Educator Investments—Retention and Training

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- In support of the intensive training needs for LEA employees, educator investments provide funding which supports professional learning and encourages retention of staff

Educator Effectiveness Block Grant—\$1.5 billion over three years (one-time Proposition 98)

- Provides local educational agencies with training resources for classified, certificated, and administrative school staff in specified high-need topics, including accelerated learning, re-engaging students, restorative practices, and implicit bias training

21st Century Leadership Academy—\$25 million (one-time Proposition 98)

- Provides professional learning for administrators and other school leaders—training is free of charge, to LEAs that receive federal Title II funds on a statewide basis

Educator Training Areas—\$ 15.4 million additional one-time funds

- Educator training in the areas of early math, reading, science instruction, computer science, dyslexia, and LGBTQ+ cultural competency is supported through the appropriation one-time funding

Educator Investments—Early Education

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- The May Revise provides targeted professional learning for educators in early education assignments with one-time investments

Early Education Professional Development Grants Program—\$50 million

- Provides training in providing instruction in inclusive classrooms—funding available through June 30, 2024

Training intended to increase the number of highly qualified teachers in the State Preschool Program, Transitional Kindergarten, and Kindergarten Assignments

- Culturally responsive instruction
- Support for dual language learners
- Social-emotional learning
- Trauma informed practices
- Restorative practices
- Mitigating implicit biases
- Eliminate exclusionary discipline



Community Schools

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Governor is proposing a one-time \$3 billion investment over several years to establish new and expand existing community schools

Grants for up to 1,400 LEAs to convert schools into full-service community schools which provide integrated health, mental health, and social services alongside high quality, supportive instruction

Governor Newsom continues to utilize the community school model as a way to provide wraparound services to students and their families

- The Governor proposes to increase access to subsidized school meals for students as part of his effort to support the whole child with \$150 million in ongoing funding to increase LEA participation (school districts, charter schools, and COEs) in federal universal meal provisions
- The goal is to increase student access to breakfast and lunch meals
 - And reduce administrative burden of collecting school meal applications



- 
- **Additionally, \$100 million in one-time funding is proposed to provide school kitchen infrastructure upgrades and training for school cafeteria staff**
 - **\$80 million for kitchen infrastructure upgrades to increase student access to school meals improve the quality of the meals**
 - **Funds will be distributed as follows:**
 - **Base allocation of \$25,000 per ADA**
 - **After the base allocations are made, remaining funds will be provided to LEAs with at least 50% students eligible for free or reduced-price meals**
 - **Funds can be used for cooking and service equipment, refrigeration and storage, and transportation means for food and food products**
 - **LEAs will be required to report to CDE by June 30, 2022, how the funds were used to improve the quality of school meals or increase participation in the meal program**

- 
- **\$20 million in funding for food service staff for training on:**
 - **Promoting nutritious foods including food preparation, healthy food marketing, and changing the school lunchroom environment**
 - **Funds will be allocated to LEAs based on the number of classified school employees employed by the LEA in the prior year**
 - **LEAs will receive a minimum allocation of \$2,000**
 - **An additional \$20 million in one-time funds will be provided to the Farm to School Initiative proposed in the Governor's Budget for a total investment of \$30 million**
 - **The initiative proposes to improve access to California-grown food**

Assorted One-Time Proposals

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\$30 million for COEs to work with local partners to coordinate and provide direct services to foster youth students

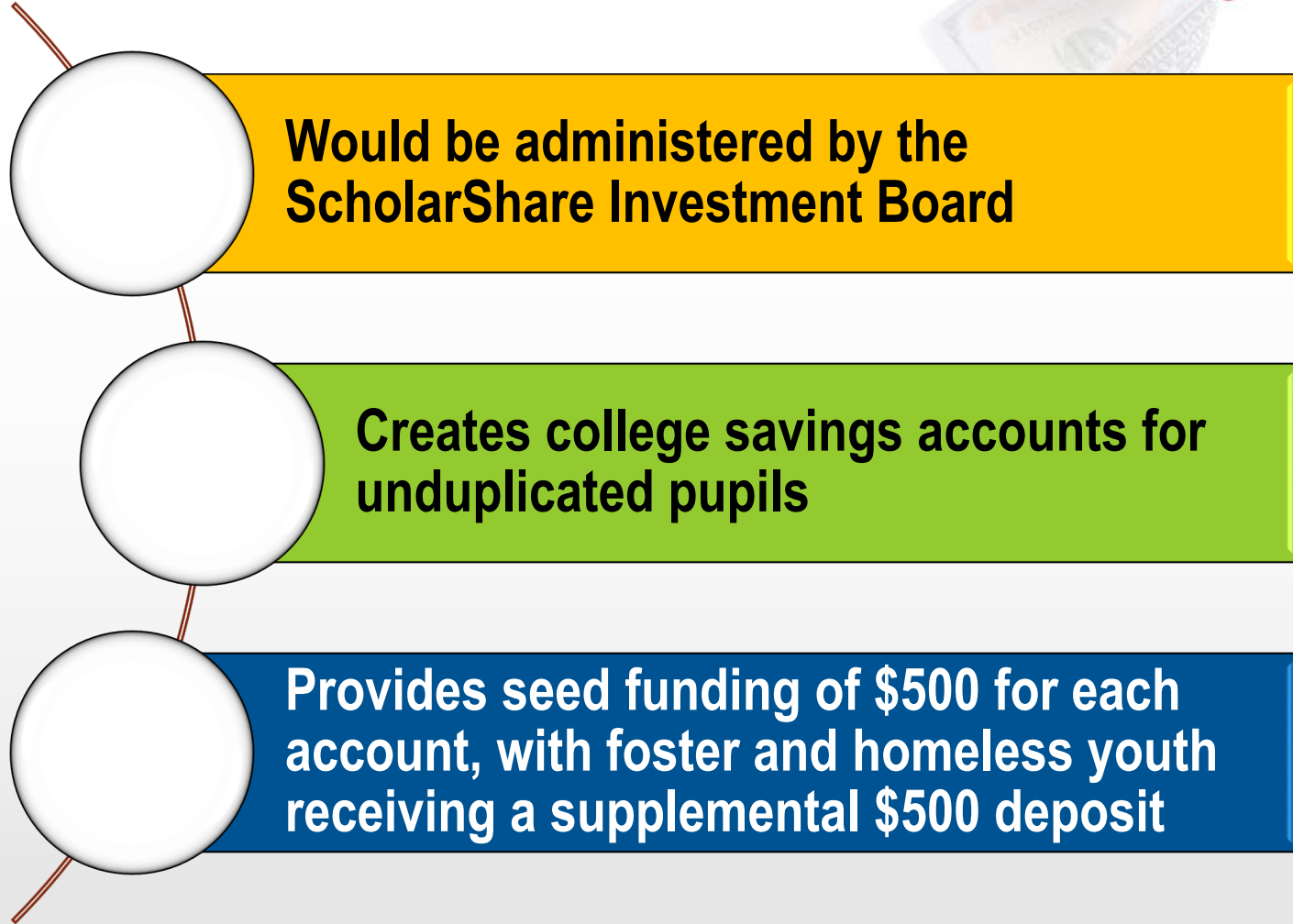
\$7 billion to expand broadband and reliable internet service statewide, \$35 million to expand broadband access to underserved communities, and \$5.2 million for the Broadband Infrastructure Grant Program

More than \$3 billion over five years and a number of departments to identify and treat behavioral health needs early, including trauma, depression, anxiety, psychological disorders, and substance abuse in ages 0–25

College Savings Accounts

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- The Governor proposes \$2 billion in one-time federal funding from the American Rescue Plan to establish the California Child Savings Program beginning in 2021–22 for all eligible pupils
- To sustain the program the state would provide \$170 million in non-Proposition 98 funding annually beginning with the 2022–23 fiscal year, in order to provide funding for every eligible pupil entering first grade



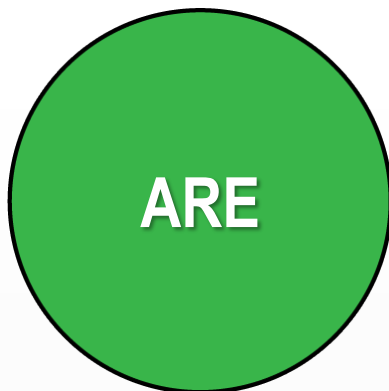
Would be administered by the
ScholarShare Investment Board

Creates college savings accounts for
unduplicated pupils

Provides seed funding of \$500 for each
account, with foster and homeless youth
receiving a supplemental \$500 deposit

Multiyear Projections

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- Result of mathematical calculations for future years based on the following:
 - Decisions that have already been made
 - A series of assumptions using current information



- Predictions or forecasts
- Crystal balls
- Measuring sticks for how “wrong” you were



38 SSC Financial Projection Dashboard

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- Cost of goods and services are projected to increase more dramatically in the near-term
 - Shortage of goods due to lack of production
 - Increased demand resulting from economy reopening, plus infusion of multiple federal stimulus packages

LCFF Planning Factors—January 2021			
	2021–22	2022–23	2023–24
DOF Estimated Funded COLA	3.84%	2.98%	3.05%
SSC Estimated COLA	3.84%	1.28%	1.61%

LCFF Planning Factors—May 2021			
	2021–22	2022–23	2023–24
DOF Estimated Funded COLA	5.07% ¹	2.48%	3.11%
SSC Estimated COLA	5.07% ¹	2.48%	3.11%

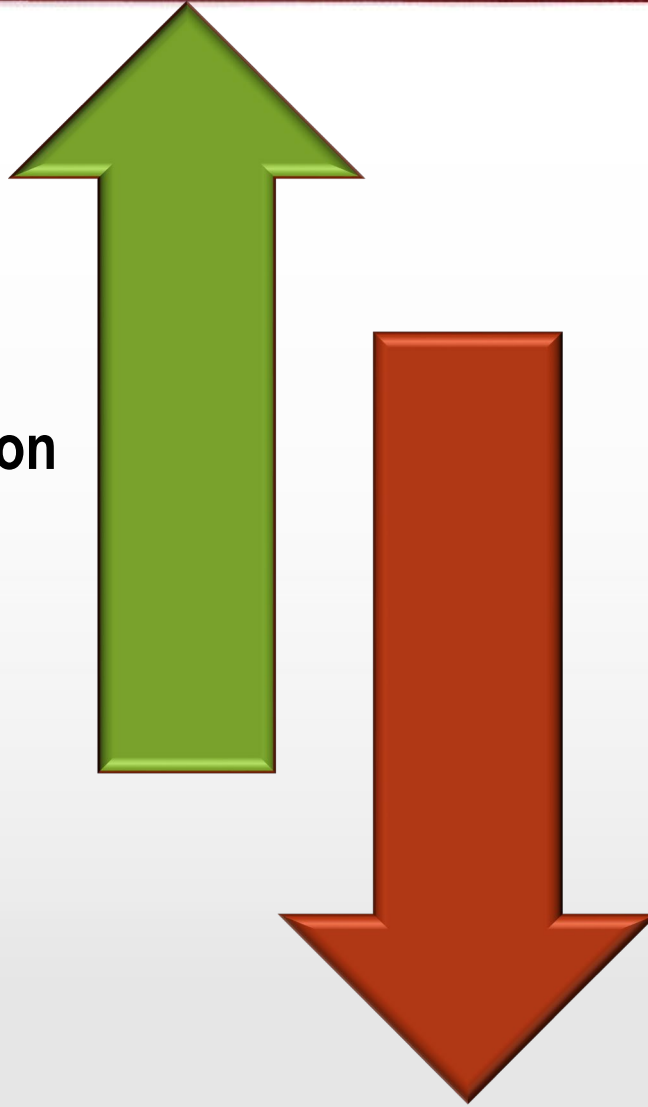
¹Represents the 2021–22 statutory COLA of 1.70%, plus an additional 1.00%, compounded with 2019–20 statutory COLA of 2.31%

*2020-21 funded COLA was 0%. The 2021-22 COLA is an acknowledgement that two years of expenditures need to be covered by the compounded COLA

39 Impacts on Multiyear Projections

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- Mega COLA
- Concentration grant augmentation
- One-time federal funds
- One-time state funds



- State unemployment insurance
- State pension funds
- “New hires” with one-time funds
- Additional costs with reopening



40 Statewide Average Reserve Levels

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■ The latest statewide data available on school district reserves is from 2019–20

2019–20 Average Unrestricted General Fund, Plus Fund 17; Ending Balances ¹	
Unified School Districts	18.82%
Elementary School Districts	22.70%
High School Districts	17.34%

¹As a percentage of total general fund expenditures, transfers, and other uses

■ The rise in ending balances is emblematic of the slowdown in new, ongoing revenues apportioned through the LCFF in 2020–21

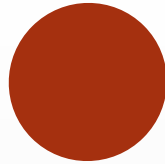
- LEAs also had temporary spending freezes as a result of an immediate and complete shutdown of in-person instruction

Local Agency Reserves

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- School revenues in California are volatile, and reserves are needed to weather the often unpredictable financial storms

State Economic
Downturns



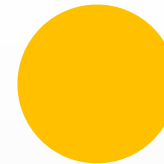
Declining
Enrollment



Cash Deferrals



Deficit Spending

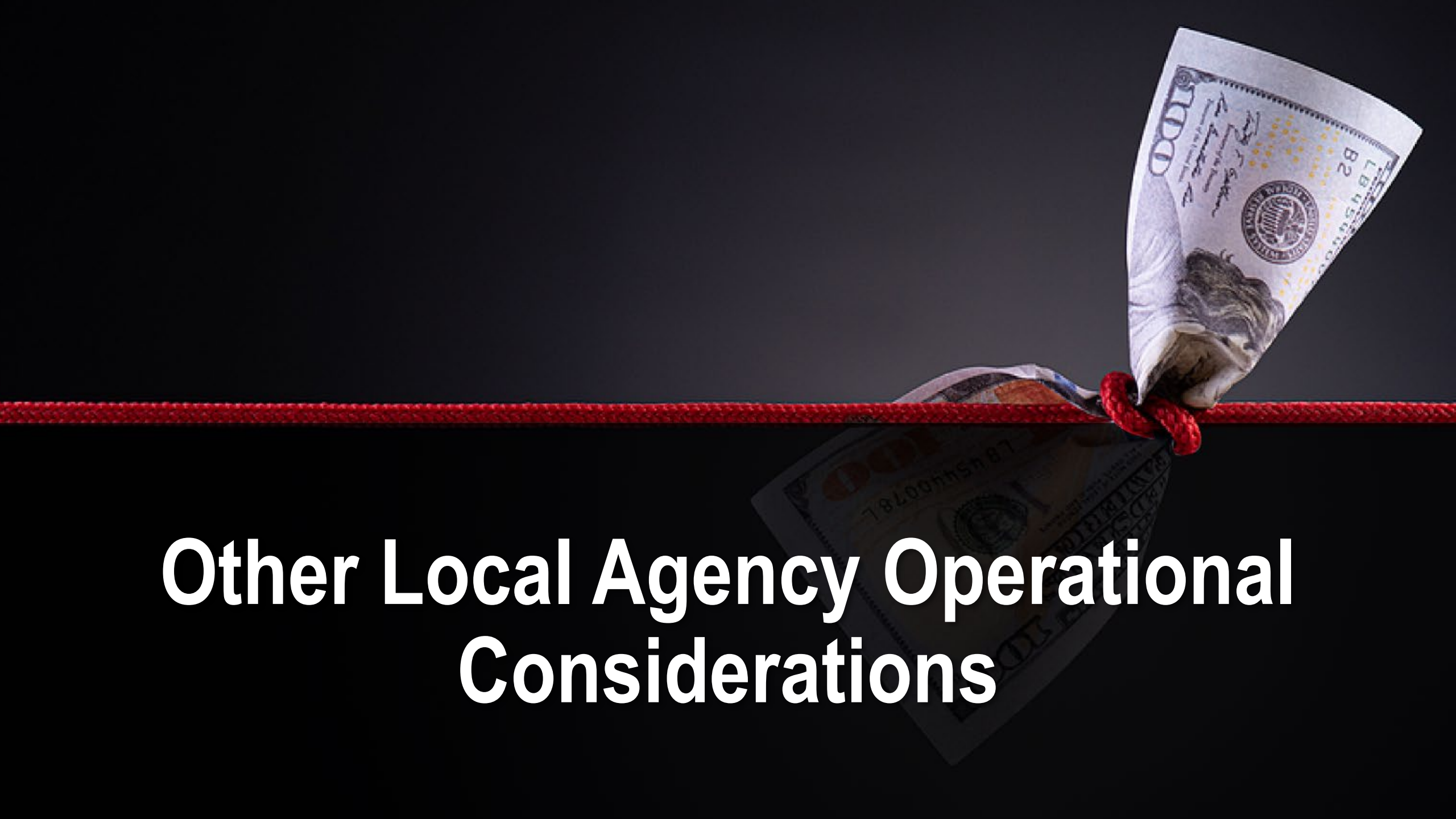


Community
Funded LEA
(Basic Aid)



Labor Unrest



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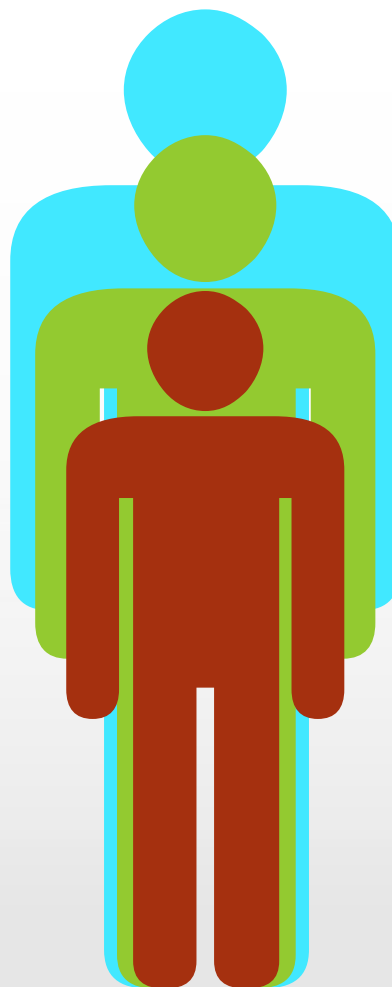
Other Local Agency Operational Considerations

LCAP—Supplemental and Concentration Accountability

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Governor's Budget

Proposed new guardrails for S/C funding—LEAs' obligation to use S/C funds to increase or improve services continues “until fulfilled” to prevent LEAs from sweeping unspent funds



May Revision

Maintains this proposal, however, it adjusts the accountability mechanism by utilizing the existing expenditure tables to specifically list actions to demonstrate that the minimum proportionality percentage has been met—either quantitatively or qualitatively

CalPERS Employer Contribution Rates

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- The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 22.91% for 2021–22
 - 2.21% higher than the current-year rate of 20.70%
- Post-PEPRA* members hired on or after January 1, 2013, will continue to contribute 7.00% into 2021–22
 - Classic member contribution rates are not subject to PEPRA and are set by statute—they will continue to contribute 7.00% of their salary



Year	Previously Released Employer Contribution Rate	New Projected Employer Contribution Rate*
2021–22	23.00%	22.91%*
2022–23	26.30%	26.10%
2023–24	27.30%	27.10%
2024–25	27.80%	27.70%
2025–26	27.80%	27.80%
2026–27	27.60%	27.60%

*2021–22 rate approved by CalPERS Board on April 19, 2021

Note: All other rates beginning in 2022–23 through 2026–27 are projected rates

CalSTRS Employer Contribution Rates

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- Beginning in 2021–22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually—not to exceed 20.25% of creditable compensation
 - The CalSTRS Board is set to exercise its new rate-setting authority in an action at its June 2021 meeting
- SSC recommends that LEAs anticipate a CalSTRS employer contribution rate of 16.92% in 2021–22 based on the best information available to date from CalSTRS
 - An increase compared to what LEAs are currently expecting in 2021–22 at 15.92%



Year	Previously Released Employer Contribution Rate	New Projected Employer Contribution Rate*
2021–22	15.92%	16.92%*
2022–23	18.00%	19.10%
2023–24	18.00%	19.10%
2024–25	18.00%	19.10%

*2021–22 to be approved by CalSTRS Board on June 10, 2021
Note: All other rates beginning in 2022–23 through 2024–25 are projected rates

