San Bernardino County Superintendent of Schools
Transforming lives through education

Ted Alejandre
County Superintendent

May 27, 2021 Bulletin No. 21-040

TO: Chief Business Officials and Directors of Fiscal Services
San Bernardino County School Districts

Subject: Common Message 2021-22 May Revision

Since May 2008, county office chief business officials have crafted common messages to give guidance to school districts on assumptions for budget and interim reports. The goal of the Business and Administration Steering Committee (BASC) is to provide county office chief business officials with a consistent message that can be used in providing guidance to school districts.

This edition of the Common Message is intended to provide information and guidance to assist LEAs in developing 2021-22 adopted budgets and their multiyear projections (MYP). It contains information related to the Governor's May Revision Budget Proposal. COEs and LEAs should note this version of the Common Message primarily addresses changes from the Governor's January Budget Proposal as well as items considered essential for LEAs to include in their budgets and MYPs.

LEAs should note that both the Senate and the Assembly have released their own budget proposals and that the final budget will likely contain a mix of the May Revise and these proposals.

If you have any questions, please contact your Business Services Advisor at (909) 386-9676.

Sincerely,

Ted Alejandre
County Superintendent of Schools

Thomas G. Cassida, Jr.
Director, Business Advisory Services

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The Common Message

2021-22 May Revision

BASC
Business and Administration
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Sources

Association of California School Administrators
Ball / Frost Group, LLC
Bob Blattner and Associates
Bob Canavan, Federal Management Strategies
California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California Public Employees' Retirement System
California State Teachers' Retirement System
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Table of Contents

Sources 3
Key Guidance 5
Significant Changes Since Second Interim Report 5
Independent Study Requirements 6
Federal and State Funds 7
Planning Factors for 2021-22 and MYPs 10
Local Control Funding Formula 11
Local Control Accountability Plan 11
Early Childhood Education 12
Special Education 13
Cash Flow / Deferrals 14
Reserves / Reserve Cap 14
Negotiations 15
New One-Time Funding Proposals 16
Summary 17
Appendix A – Apportionment Deferrals Chart 18
Appendix B – Accounting for One-Time Funds 19

Background

The BASC would like to thank the DOF, the State Board of Education (SBE), the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team, as well as our colleagues in education listed in the sources section for providing BASC and our local educational agencies (LEAs) the latest information at the time of the Common Message writing.

The BASC Common Message is intended as guidance and recommendations to county offices of education (COEs). Each COE will tailor the guidance to the unique circumstances of the LEAs located in their county. Even within a county, COE situational guidance may vary considerably based on the educational, fiscal, and operational characteristics of a particular district. Districts and other entities seeking to understand the guidance applicable to a particular LEA should refer to the information released by the COE in the county where the LEA is located.

Key Guidance

This edition of the Common Message is intended to provide information and guidance to assist LEAs in developing 2021-22 adopted budgets and their multiyear projections (MYP). It contains information related to the Governor's May Revision Budget Proposal. LEAs should note this version of the Common Message primarily addresses changes from the Governor's January Budget Proposal as well as items considered essential for LEAs to include in their budgets and MYPs.

The Governor's May Revision is reflective of a strong economic turnaround, projecting unprecedented funding for K-12 public education. This budget provides for a super COLA and several one-time funding opportunities, with the creation of California for All Kids, a roadmap to address the gaps in early education, school nutrition, teacher support, class size, broadband access, and wraparound services.

Significant Changes Since Second Interim Report

Prop. 98 funding is estimated to be $93.7 billion for 2021-22.

The Local Control Funding Formula (LCFF) COLA for 2021-22 is projected at 1.7%, compounded with the deferred 2020-21 COLA of 2.31%, which equates to a 4.05% COLA. Additional support to alleviate fiscal pressures on LEAs is being proposed, and the May Revision includes $520 million Prop. 98 funding for an additional 1.0% increase to the LCFF base. This proposal is only for the LCFF and calculates to a super COLA of 5.07%.

The Governor's budget continues to propose paying off most of the K-12 cash deferrals, leaving an ongoing K-12 deferral balance of $2.6 billion for 2021-22.

Special Education is projected to be funded with the compounded COLA at 4.05% but not the augmentation in the LCFF proposal. LCFF and Special Education are the only state funded programs to receive both the 2020-21 and 2021-22 COLAs.

Also included in the May Revision are one-time funding proposals for the following programs:

Reopening of Schools
Expanded Learning Time
Universal Transitional Kindergarten Planning Grant
Community Schools
Comprehensive Student Supports
Educator Preparation, Retention, and Training
Child Nutrition
Broadband

Independent Study Requirements

The Governor proposed in his May Budget Revision to amend Education Code Sections 51745, 51747, 51747.3, and 51747.5 of Article 5.5, Independent Study (51745-51749.6).

For LEAs to offer virtual learning in the upcoming school year, they must adhere to Independent Study (IS) requirements, as distance learning authorities under Senate Bill 98 (Ch. 96, Stats. 2020) expire on June 30, 2021. The May Revision leaves intact most of IS existing law, including the permissive nature of whether to offer IS at all, but makes several important changes that affect both existing IS programs and virtual learning programs that succeed SB 98.

Educational opportunities offered through IS may now include (among the list of statutory reasons provided): "Upon determination of a parent/guardian, individualized study for pupils who[se] health would be put at-risk by in-person instruction." Education Code Section 51745(c).

The May Revision proposes various changes to an LEA's IS policy and student agreements, which are summarized here:

- Daily live interaction for all pupils. EC Section 51747(e).
- Weekly synchronous interaction for all pupils. EC Section 51747(e).
- Allowing electronic signatures and record keeping to reduce paperwork time and increase learning time. EC Section 51747(g)(8)(E).
- Content aligned to grade-level standards. EC Section 51747(c).
- Procedures for tiered reengagement strategies, including outreach and parental engagement for absent students. EC Section 51747(d), (g)(1).
- A plan to return students to in-person instruction expeditiously at the request of their parents. EC Section 51747(f).
- Ensuring students have the technology and connectivity to participate in the education program and assignments. EC Section 51747(d), (g)(3).
- Identification of supports to be provided to students who are struggling or who have unique needs, as specified. EC Section 51747(d), (g)(7).
- Each LEA shall document daily participation for each pupil on each school day, in whole or in part, for which IS is provided. A pupil who does not participate in IS on a school day shall be documented as absent for that school day. EC Section 51747.5(c)
- Each LEA shall ensure that a weekly engagement record is completed for each pupil documenting synchronous or asynchronous instruction for each whole or partial day of IS, verifying daily participation and tracking assignments. EC Section 51747.5(d)

- For purposes of compliance with subdivisions (c) and (d), by September 1, 2021, the California Department of Education shall provide LEAs with a digital form for reporting daily participation and weekly engagement that minimizes workload associated with collecting and reporting this information for teachers and LEAs. EC Section 51747.5(e)
- Written agreements may be signed using a digital signature. EC Section 51747(8)(E)

Federal and State Funds

Elementary and Secondary School Emergency Relief (ESSER III) Fund

The American Rescue Plan (ARP) allocated $122 billion to the ESSER III fund nationwide to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on the nation's students. For additional information refer to the fact sheets available on the U.S. Department of Education's website:

https://oese.ed.gov/files/2021/03/FINAL_ARP-ESSER-Methodology-and-Table.pdf

https://oese.ed.gov/files/2021/03/FINAL_ARP-ESSER-FACT-SHEET.pdf

- California will receive $15 billion of these funds and can reserve up to 10%, with a requirement of 7.5% of total state funding for allocation as follows: 5% for interventions to address learning loss, 1% for summer enrichment programs, 1% for comprehensive after-school programs, and one-half of 1.0% for administration.
- A total of $13.6 billion (90% of the state's allocation) to be appropriated by the Governor to LEAs in proportion to the amount of Title I, Part A funds each LEA received in fiscal year 2020-21. LEAs may use these funds to support coronavirus response activities, similar to ESSER II, back to March 13, 2020. These funds must be obligated by September 30, 2024. The CDE is developing further guidance on these funds.
- LEAs are required to use at least 20% of ESSER III funds for learning loss mitigation by implementing evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive after-school programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of COVID-19 on underrepresented student subgroups.
- LEAs that receive ESSER III funds must, within 30 days of receiving the funds, make publicly available on their website a plan for the safe return to in-person instruction and continuity of services. Before posting the plan, LEAs must seek public comment on it.
- The ARP includes a separate program of Emergency Assistance for Non-Public Schools (EANS) administered by the state. Consequently, LEAs do not provide equitable services under ESSER III provisions.

Governor's Emergency Education Relief (GEER II) Fund

The Coronavirus Response and Relief Supplemental Appropriations Act allocated $4 billion to the GEER fund nationwide. For additional information, refer to the fact sheets available on the U.S. Department of Education website:

https://oese.ed.gov/files/2021/01/FINAL_GEERII_EANS-Methodology_Table_1.8.21.pdf

https://oese.ed.gov/files/2021/01/FINAL_-GEER_FactSheet_1.8.211.pdf

- California will receive $341.4 million of these funds.
- A total of $154 million is to be appropriated by the Governor (through the budget process) for any education purpose (for early education through higher education) related to COVID relief back to March 13, 2020. Funds must be obligated by September 30, 2023.
- The remaining $187.4 million is to assist nonprofit nonpublic schools through the EANS program. The Governor applies for these funds separately from the rest of GEER II.
- EANS replaces the equitable services requirement found in GEER I, and as such, there is no equitable services requirement for GEER II.

In-Person Instruction and Expanded Learning Opportunities Grants

The Legislature provided $6.6 billion in the Assembly Bill 86 COVID-19 relief package, including $2 billion for In-Person Instruction (IPI) grants and $4.6 billion for Expanded Learning Opportunities (ELO) grants. Governor Newsom signed AB 86 on March 5, 2021.

Estimated allocations were calculated using 2020-21 P-1 and preliminary CALPADS Fall 1 data and will be the basis for the May apportionment. A final recalculated apportionment will occur in early August based on 2020-21 P-2 and final CALPADS Fall 1 data, along with IPI reductions. Both IPI and ELO funds are available for expenditure through August 31, 2022, with a report of final expenditures due to the CDE by December 1, 2022. Funding formulas, estimated allocations, and other useful information can be found here: https://www.cde.ca.gov/fg/aa/ca/ipielo.asp

In-Person Instruction (IPI) Grants

IPI grants are available to school districts, county offices of education (COEs), and classroom-based charter schools and are funded based on a proportionate share of each LEA's LCFF entitlement. To be eligible for full funding, LEAs must offer in-person instruction, as defined in Education Code Section 43520.5, including hybrid models, by April 1, 2021, for specified student groups. Hybrid models may offer fewer than five days per week of in-person instruction, provided that LEAs are offering in-person instruction to the greatest extent possible.

- Funds are allocated proportionally based on each LEA's LCFF entitlement as of the 2020-21 P-2 apportionment certification.
- IPI grants will be reduced by 1% for each calendared instructional day that an LEA does not offer in-person instruction for all required groups. IPI grants will be forfeited if an LEA does not offer in-person instruction for all required groups by May 15, 2021, or if in-person instruction is not offered continuously through the end of the scheduled 2020-21 school year, unless otherwise ordered by a state or local health officer.
- IPI grants may be used for any purpose consistent with providing in-person instruction for any pupil participating in in-person instruction including, but not limited to, COVID-19 testing, cleaning and disinfection, personal protective equipment, ventilation and other school site upgrades necessary for health and safety, salaries for certificated or classified

employees providing in-person instruction or services, and social and mental health support services provided in conjunction with in-person instruction.

- LEAs must complete a certification form by June 1, 2021, to verify compliance with the eligibility requirements for the IPI grant. The form can be found at: https://www.cde.ca.gov/ls/he/hn/documents/leacertformcontents.docx

Expanded Learning Opportunities (ELO) Grants

ELO grants are available to school districts, COEs, charter schools, and state special schools and are funded based on three calculations: homeless pupil enrollment x $1,000, state special schools ADA x $725, and remaining funds on a proportionate share of each LEA's LCFF entitlement.

To be eligible for funding, LEAs must implement a learning recovery program that, at a minimum, provides supplemental instruction, support for social and emotional well-being, and, to the maximum extent permissible under the guidelines of the United States Department of Agriculture, meals, and snacks to specified student groups, as defined in Education Code Section 43522, who have faced adverse learning and social-emotional circumstances.

ELO grants shall be expended only for any of the following seven purposes: extending instructional learning time, accelerating progress to close learning gaps, integrated pupil supports, community learning hubs, supports for credit deficient pupils, additional academic services, and training for school staff.

The following fiscal requirements apply to the ELO grant. Adherence to these requirements will be monitored through the annual audit process.

- The LEA must use at least 85% of its apportionment for expenditures related to providing in-person services in any of the seven purposes mentioned above.
- The LEA must use at least 10% of the funding that is received based on LCFF entitlement to hire paraprofessionals to provide supplemental instruction and support through the duration of this program, with a priority for full-time paraprofessionals. The supplemental instruction and support provided by the paraprofessionals must be prioritized for English learners and students with disabilities. Funds expended to hire paraprofessionals count toward the LEA's requirement to spend at least 85% of its apportionment to provide in-person services.
- An LEA may use up to 15% of its apportionment to increase or improve services for students participating in distance learning or to support activities intended to prepare the LEA for in-person instruction, before in-person instructional services are offered.

LEAs must complete the Expanded Learning Opportunities Grant Plan as a condition for receiving an ELO grant. The plan must be adopted by the local governing board or body of the LEA at a public meeting on or before June 1, 2021, and must be submitted to the COE, the CDE, or the chartering authority within five days of adoption, as applicable. The plan template can be found here: https://www.cde.ca.gov/ls/he/hn/documents/explearnoppgrtemp.docx

LEAs are encouraged to engage, plan, and collaborate on program operation with community partners and expanded learning programs, and leverage existing behavioral health partnerships and Medi-Cal billing options, in the design and implementation of services.

Planning Factors for 2021-22 and MYPs

Key planning factors for LEAs to incorporate into their 2021-22 budget and multiyear projections are listed below and are based on the latest information available.

Planning Factor	2021-22	2022-23	2023-24
Statutory COLA (LCFF and SPED Base Rate)	1.70%	2.48%	3.11%
2020-21 COLA (LCFF and SPED Base Rate)	2.31%	0.00%	0.00%
Super COLA Augmentation (LCFF)	1.00%	0.00%	0.00%
Funded LCFF COLA	5.07%	2.48%	3.11%
STRS Employer Rates	16.92%	19.10%	19.10%
PERS Employer Rates	22.91%	26.10%	27.10%
State Unemployment Insurance	1.23%	0.90%	0.30%
Lottery – Unrestricted per ADA	$150	$150	$150
Lottery – Prop. 20 per ADA	$49	$49	$49
Mandated Block Grant for Districts K-8 per ADA 9-12 per ADA	 $32.79 $63.17	 $33.60 $64.74	 $34.64 $66.75
Mandated Block Grant for Charters K-8 per ADA 9-12 per ADA	 $17.21 $47.84	 $17.64 $49.03	 $18.19 $50.55
State Preschool (CSPP) Part-Day Daily Reimbursement Rate	$31.40	$32.18	$33.18
State Preschool (CSPP) Full-Day Daily Reimbursement Rate	$50.70	$51.96	$53.73
General Child Care (CCTR) Daily Reimbursement Rate	$50.38	$51.63	$53.24
Routine Restricted Maintenance Account *(Flexibility for calculation to exclude STRS and PERS on behalf payments, ESSER and LLMF Funds from calculation)*	3%	3%	3%

Local Control Funding Formula

The Governor is proposing a super COLA of 5.07% for the LCFF for 2021-22, adding 1.0% to a compound COLA of 4.05% derived from the unfunded 2020-21 statutory COLA of 2.31% and an estimated 1.7% statutory COLA for 2021-22.

Traditional attendance accounting returns in 2021-22, and school districts with declining enrollment will be able to take advantage of the prior year ADA guarantee. For most school districts, 2020-21 ADA that becomes the prior year, is, in fact, 2019-20 ADA. Districts should nonetheless monitor enrollment carefully because the additional cushion in 2021-22 is offset by the recognition of two years' ADA decline in 2022-23. Charter schools are not afforded the prior year guarantee and will be funded on current year ADA beginning in 2021-22.

The May Revision includes a proposal to increase the concentration grant component of the LCFF from 50% to 65% of the adjusted base LCFF grant at an estimated ongoing cost of $1.1 billion. The additional funds are intended to allow these LEAs to increase the number of staff providing direct services. The recently released LCFF Calculator has been updated to allow the user to override the pre-populated 50% factor with 65%. Most LEAs will need to complete their Local Control and Accountability Plan (LCAP) and take it to public hearing prior to the state budget being approved. Those LEAs that generate concentration grant funding should identify the increased funding this proposal would represent and what it would mean in terms of direct services staffing. By identifying the difference, the LEA could include the additional actions or services in their LCAP as conditional on approval of the proposal.

LEAs are encouraged to develop multiple scenarios using the LCFF COLA planning factors as best case. LEAs that are prepared for both best- and worst-case budgets in the future are better able to weather economic uncertainty.

Local Control Accountability Plan

By June 30, 2021, LEAs will need to adopt an LCAP using the LCAP template and expenditures tables that were approved in January 2020 but later suspended for the 2020-21 year.

The components of the LCAP for the 2021-22 LCAP year must be posted as one document assembled in the following order:

LCFF Budget Overview for Parents
Annual Update with instructions
LCAP Template (including)
- Plan Summary
- Stakeholder Engagement
- Goals and Actions
- Increased or Improved Services for Foster Youth, English Learners, and Low-Income Students

Expenditure Tables
LCAP Instructions

The May Revision trailer bill continues to propose language that will require LEAs to include in their LCAPs a calculation of any estimated shortfall in meeting their increased or improved services requirement for the "annual update" year. This shortfall could include a quantitative shortfall – e.g., estimated actual expenditures are less than budgeted expenditures – and/or a qualitative shortfall – estimated improvement in a service was less than the planned improvement. The calculated amount of this shortfall would then become an added increased and improved services requirement in the LCAP year. These changes, if adopted, would be effective for LCAPs adopted in June 2022.

Districts will want to be particularly thoughtful about how they present and budget for services meeting the increased and improved services requirement in the LCAP, and track implementation closely throughout the year, to avoid being surprised by a large carryover requirement at the end of 2021-22. This may be particularly challenging given the large quantities of one-time funding that districts are receiving from state and federal sources.

Furthermore, because of the proposed new carryover requirements, it will be critical that the LCAP calculations of supplemental and concentration grant funding, and the corresponding increased and improved services percentage, match the actual district entitlements based on the adopted state budget. This means if a district adopts a budget based on lower entitlements (e.g., the January COLA estimate), LEAs may be required to have the governing board adopt a 45-day revision and a corresponding update to the LCAP, and to submit these documents to their COE for approval.

Early Childhood Education

The May Revision contains some significant policy and program changes to early learning and care that are in line with the master plan published in 2020. Below are changes relevant to LEAs.

Cost-of-Living Adjustments

A 1.7% COLA is provided for State Preschool Programs and early care and education programs.

Universal Transitional Kindergarten (UTK)

To provide access to free, high-quality, inclusive pre-kindergarten education for all children, the May Revision proposes a series of investments beginning in 2022-23 to incrementally establish universal transitional kindergarten, creating a "14th grade" of public education by 2024-25.

UTK would be phased in over four years, with LEAs able to use 2021-22 for planning and infrastructure development and additional access for 4-year-olds, increased in increments of three months of age per year from 2022-23 through 2024-25, when all 4-year-olds would be eligible.

Costs of this plan are anticipated to be approximately $900 million in 2022-23, growing to $2.7 billion in 2024-25 (the Prop. 98 guarantee would be "re-benched" to pay for the costs of new enrollment in each year of increased investment).

This program allocates $250 million of one-time Prop. 98 dollars in fiscal year 2021-22 for LEAs to create or expand TK programs. Allowable uses of these funds include costs for planning, hiring,

training, classroom materials, and supplies. Funding will be awarded to LEAs based on kindergarten (excluding TK) ADA reported in 2019-20.

In addition, the Kindergarten Facilities Grant Program has been expanded to include transitional kindergarten to accommodate the additional capacity needed to offer or expand enrollment in a TK program. As a condition of receipt of funds, an applicant school district must pass a resolution at a public governing board meeting stating the district's intent to offer or expand enrollment in a TK program.

The May Revision also proposes $380 million in 2022-23, growing to $740 million in 2024-25 from Prop. 98, to provide one additional certificated or classified staff person in each TK classroom. For many classrooms, this will reduce adult-to-child ratios from 1:24 to 1:12.

$10 million of one-time funding is provided for the CDE to update the Preschool Learning Foundations, the recommended learning standards for preschool and TK, to reflect the most recent research on early childhood development and provide comprehensive resources for pre-kindergarten teachers.

State Preschool Program (CSPP)

The May Revision maintains the level of funding available for the State Preschool Program. The Administration will develop a comprehensive plan for implementation in 2022-23 to support existing State Preschool Program providers to maintain their contracts while transitioning to serve younger children, in alignment with the Master Plan for Early Learning and Care, to ensure all eligible 3-year-olds have access to high-quality early learning.

Special Education

The 2021-22 May Revision budget proposals for Special Education build on funding augmentations implemented over the past two years.

The base Special Education funding formula is to receive a compounded COLA of 4.05%, reflecting the previously suspended 2020-21 COLA and the now final 2021-22 statutory COLA of 1.7%. This increase results in a Special Education base rate of $650.31 for 2021-22. $300 million in ongoing Prop. 98 funding for the Special Education Early Intervention Grant is allocated to supplement existing resources, increase the availability of evidence-based services and support school readiness for infants, toddlers, and preschoolers, with a focus on inclusive settings. These funds are restricted and will be allocated to the LEA of residence based on the number of preschool children with exceptional needs using Fall 1 Census data. One-time American Rescue Plan Act funds of $277.7 million are proposed to supplement existing IDEA funds that are to be distributed via the IDEA permanent formula.

In addition, the May Revise proposes IDEA allocations of $15 million to provide technical support to LEAs for developing and administering IEPs and for assisting with assessing the pandemic impacts on students with disabilities, $2.3 million to assist CDE in addressing special education complaints and court-ordered monitoring, and $1.2 million to improve coordination between CDE, the state Department of Developmental Services and LEAs regarding infant to preschool transition

and to promote inclusion best practices. Finally, out-of-home care funding is to remain frozen one additional year, through 2021-22.

Cash Flow / Deferrals

The proposed cash deferral for fiscal year 2021-22 remains as a 100% deferral of the June 2022 apportionment. The amount to be deferred from June 2022 and to be issued by July 15, 2022, is now estimated at $2.6 billon (previously $3.7 billion). This cash deferral is deemed to be general fund revenues appropriated to LEAs for the prior fiscal year (2021-22) even though it will be received in the 2022-23 fiscal year.

The cash deferral amounts from 2020-21 remain on schedule to be paid in the fall of 2021-22:

From February 2021 to November 2021	$1.54 billion
From March 2021 to October 2021	$2.38 billion
From April 2021 to September 2021	$2.38 billion
From May 2021 to August 2021	$2.38 billion
From June 2021 to July 2021	$2.38 billion

The proposal includes the opportunity for LEAs to submit applications for an exemption to the cash June 2022 to July 2022 deferral. Up to $100 million is authorized for approval by the Finance Director to be drawn in June. The LEA must have exhausted all internal and external sources of borrowing and is subject to an application process for consideration of exemption.

Districts should prepare cash flow projections for the upcoming budget year to ensure all cash obligations are met timely.

Reserves / Reserve Cap

COEs continue to reinforce the need for adequate reserve levels. The Government Finance Officers Association, a national organization representing federal, state, and local finance officials, recommends school districts and other local governments maintain reserves of at least two months of operating expenditures (approximately a 17% reserve) to mitigate revenue shortfalls and unanticipated expenditures. The association further recommends all governments develop a formal policy regarding their minimum reserves and consider maintaining reserves larger than 17% if revenues or expenditures are especially volatile.

Given the current health and economic volatility, it is critical that decisions about reserve levels are made thoughtfully and deliberately. Inadequate reserves force districts to react quickly, which can cause significant disruptions to student programs and employees.

Although general fund reserves are an indicator of the cash balance, they are not the same as cash – cash is but a portion of reserves. Districts' attention should remain on maximizing the use of any one-time funds due to the restrictive nature of those funds for the 2020-21 and 2021-22 fiscal years, thereby reserving local and unrestricted funds to address the potential impact of possible deterioration of revenues in 2022-23. This deterioration could come from economic impacts, as well as the anticipated "ADA cliff" when the protections of the hold harmless provisions end, or

if California's K-12 public school enrollment, which precipitously declined during the pandemic, doesn't recover to pre-pandemic levels.

The Governor's January Budget proposed that deposits to the Public School System Stabilization Account (PSSSA) will be required in 2020-21 and 2021-22, bringing the projected balance to $3 billion. Under current law, in fiscal years immediately succeeding those in which the PSSSA balance is equal to or great than 3% of the total K-12 share of the Prop. 98 guarantee, a 10% cap on school district reserves is triggered. In the May Revision the required deposit is projected to be $4.6 billion in 2021-22; this would trigger school district reserve caps beginning in 2022-23.

SB 751 provided additional provisions to the reserve cap requirements:

- Basic aid districts and districts with ADA less than 2,501 are exempt from the reserve cap requirements.
- A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements of subdivision (a) for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances, including but not limited to multiyear infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending fund balance that exceeds the cap limits.

If the reserve cap is triggered, the portions of fund balance subject to the cap are the assigned and unassigned reserves in the general fund (01) and the special reserve fund for other than capital outlay (17). Any funds that are in the committed portion of the fund balance, meaning that the governing board took action to set aside the funds, are not included in the reserve cap calculation. GASB 54 defines the unrestricted components of fund balance as follows:

- Committed Fund Balance (Objects 9750 – 9769) – Amounts subject to internal constraints self-imposed by formal action of the governing board, which may be redirected in the same manner in which the original constraints were imposed.
- Assigned Fund Balance (Objects 9770 – 9788) – Amounts intended to be used for specific purposes but for which the constraints do not meet the criteria to be reported as restricted or committed.
- Unassigned Fund Balance (Objects 9789 – 9790) – Amounts not classified as restricted, committed, or assigned, which includes the reserve for economic uncertainties and any unappropriated amounts.

Districts are encouraged to designate commitments during the budget development process to adjust funds at fiscal year-end.

Negotiations

On average, 85% of a district's ongoing costs are personnel. Compensation decisions directly affect an LEA's fiscal stability. The current influx of funding, particularly one-time funds, from the state and federal government related to COVID-19 now allow LEAs a unique opportunity to expand student learning opportunities, particularly for disadvantaged students. However, these one-time funds not only mask structural deficits, but also lead to expectations of salary increases and increased pressure to expand the education workforce.

Current and future risk factors include:

- Likelihood of the COLA to cover ongoing salary increases, as well as increases in health benefit contributions, pension costs, unemployment rates, and step and column increases
- Declining enrollment
- Uncertainty of students returning to in-person instruction
- Loss of ADA hold harmless protection that was implemented during the pandemic
- Staff shortages
- Reliance on one-time funding
- Litigation costs: due process, COVID-19 exposure
- Requirements to provide more services to students in need

Maintaining stable relationships with the governing board and bargaining units is key, along with consistent dialogue on the return to base funding. Flexibility in bargaining agreements can be accomplished using options such as reopeners, single year contracts or contingency language. Risks can be diminished when LEAs follow best practices, including a structurally balanced budget, sufficient reserves, and fund balance (cash on hand).

New One-Time Funding Proposals

The May Revision includes several proposals that utilize one-time funding as outlined below.

California Community Schools Partnership Program

This program allocates $3.0 billion in one-time Prop. 98 funding to establish new and expand existing community schools. This is a three-year competitive grant program with a plan to allocate 70% for new community schools and 30% to expand existing community schools. The grant requires a 50% match, and 25% of this required local contribution can be met with facilities usage. The application process will be determined by the Superintendent of Public Instruction and the State Board of Education by November 1, 2021.

Targeted Intervention Grant

This grant combines $623 million of one-time Prop. 98 funding with $2 billion from the federal trust fund for allocation to eligible LEAs in fiscal year 2021-22. Funds will be apportioned proportionally based on the 2020-21 P-2 certification. Prop. 98 funds are available for expenditure from July 1, 2021 to June 30, 2024, but federal funds may be used for costs dating back to March 13, 2020. The use of federal funds must meet the requirements of each funding source, which includes $671 million from ESSER II, $154 million from GEER II, $437 million from ESSER III discretionary state level reservation, and $753 million from ESSER III state level reservation to address learning loss. All sources of funds for this grant can be used for the following purposes:

- Targeted and research-tested interventions to support student learning
- Small-group or one-on-one high-dose tutoring from trained professionals
- Opportunities for increased instructional time

- Intensive reengagement for students and families not fully participating in educational programming
- Increased supports for unduplicated students and students with disabilities
- Pupil supports to close learning gaps and address barriers to learning

In-Person Instruction Health & Safety Grant

This grant allocates $2 billion of one-time Prop. 98 funds in fiscal year 2021-22 based on the 2020-21 P-2 certification. The funds can be used for expenditures from July 1, 2021, to June 30, 2023. Eligible LEAs include school districts, COEs, and classroom-based charter schools, as determined by the 2020-21 P-2 certification. The funding can be used for any purpose that supports health and safety in providing in-person instruction, including, but not limited to:

- COVID-19 testing and vaccine initiatives
- Contact tracing
- Personal protective equipment
- Sanitization and cleaning supplies for facilities and school buses
- Ventilation system upgrades
- Additional space for social distancing in classrooms
- Health and safety materials and equipment
- Salaries for in-person instruction, including nurses and custodial staff

Classified Food Service Employee Training and Kitchen Infrastructure

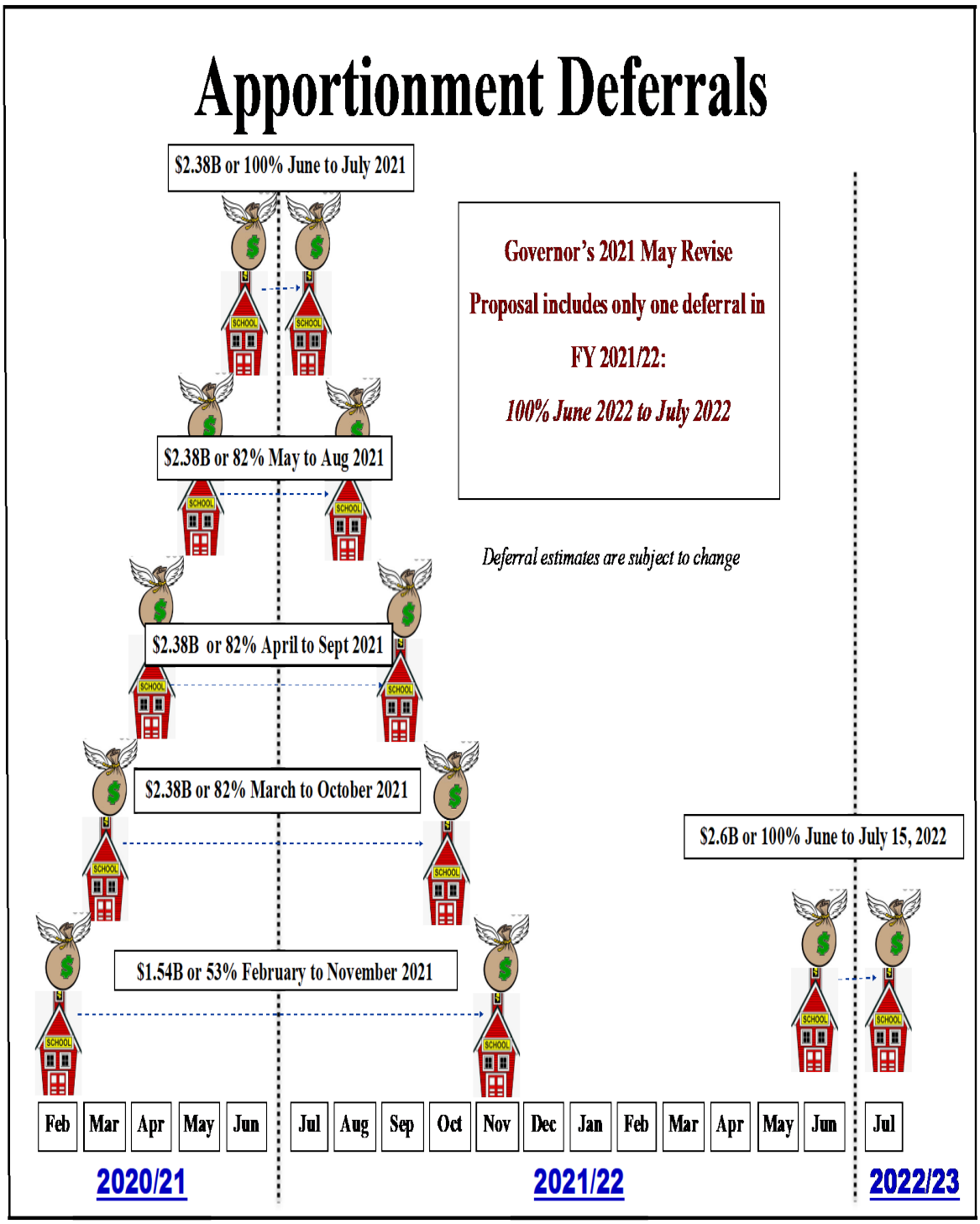
This program allocates $100 million of one-time Prop. 98 funding for the 2021-22 fiscal year: $80 million for kitchen infrastructure upgrades and $20 million for training food service staff. For kitchen infrastructure, all LEAs will receive a base allocation of $25,000, and the remainder of funds will be distributed proportionately to LEAs with at least 50% of students eligible for free and reduced-price meals. Allowable uses of these funds include cooking equipment, service equipment, refrigeration and storage, and food service transportation vehicles and equipment.

LEAs will receive their share of $20 million for training based on their number of classified school employees in 2020-21. The minimum allocation will be $2,000 and is to be used for food service staff to receive training on promoting nutritious foods, which includes training on food preparation, healthy food marketing, and changing the school lunchroom environment.

Summary

The Common Message is devised 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. Special attention must be paid to multiyear projections and the contributing factors both within and outside the control of district decision makers. Most importantly, LEAs should focus on the potential funding cliff due to declining enrollment and its effects on the 2022-23 fiscal year. LEAs should consider preparing two sets of multiyear projection documents, one that includes the projected one-time dollars for official submission and one that excludes one-time funds, to allow the LEA to have a fiscal outlook that provides a clear view of ongoing revenue and expenditures.

Appendix A – Apportionment Deferrals Chart

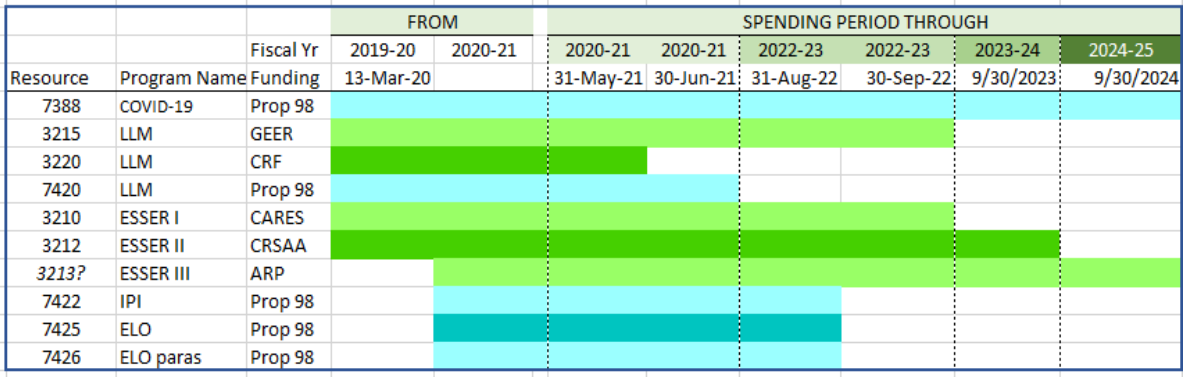


Appendix B – Accounting for One-Time Funds

COVID-19 Accounting & Compliance schedule

Program	SB98 Learning Loss Mitigation (LLM)			SB117	Elementary & Secondary School Emergency Relief (ESSER)			AB86- In Person Instruction (IPI) and Expanded Learning Opportunities (ELO)		
Program Acronym	LLM	LLM	LLM	COVID-19 relief	ESSER I	ESSER II	ESSER III	IPI	ELO	ELO paras
Source	Federal	Federal	State	State	Federal	Federal	Federal	State	State	State
Funding	GEER	CRF	Prop 98	Prop 98	CARES	CRSAA	ARP	Prop 98	Prop 98	Prop 98
Spending deadline	Sep-22	May-21	Jun-21	n/a	Sep-22	Sep-23	Sep-24	Aug-22	Aug-22	Aug-22
Resource	3215	3220	7420	7388	3210	3212	*3213/3214*	7422	7425	7426
Unearned Revenue/Fund Bal	F	U	F	F	F	F	F	U	F	F
SACS Revenue Code	8290	8290	8590	8590	8290	8290	8290	8590	8590	8590
Federal requirements:										
Excess Interest earned	YES	NO			YES	YES	YES			
Private School Equitable Services	YES	NO			YES	NO	NO			
Supplement not supplant	NO	NO			NO	NO	NO			
Maintenance of Effort	YES	NO			YES	YES	YES			
NEW Maintenance of Equity	n/a	n/a			NO	NO	YES			
Indirect Costs	YES	NO			YES	YES	YES			
Cash dependent on reporting	YES	NO			YES	YES	YES			
State requirements:										
Plan required	Learning Continuity & Attendance Plan (in place of 2020-21 LCAP)								Expanded Learning Opportunity Grant Plan Board Adoption by June 1, 2021	

COVID-19 Accounting & Timeline



Program	SB98 Learning Loss Mitigation			SB117	Elementary & Secondary School Emergency Relief			AB86- In Person Instruction (IPI) and Expanded Learning Opportunities		
Program Acronym	LLM	LLM	LLM	COVID-19	ESSER I	ESSER II	ESSER III	IPI	ELO	ELO paras
Source	Federal	Federal	State	State	Federal	Federal	Federal	State	State	State
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Resource	3215	3220	7420	7388	3210	3212	3213/3214	7422	7425	7426