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Bulletin No. 21-002

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

Subject: Common Message, Enacted Budget/45-Day Revision 2020-21

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, based on assumptions used by the California Department of Finance, that can be used in providing guidance to school districts.

This edition of the Common Message contains information related to the Enacted Budget for 2020-21 and is intended to provide guidance for LEAs to use in developing their 45-day budget revisions. This document discusses the changes from the May Revision to the Enacted Budget. SBCSS will require 45-day revisions this year.

Sincerely,

Ted Alejandre
County Superintendent of Schools

Thomas G. Cassida, Jr.

Director
Business Advisory Services

TGC:cg

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The Common Message

2020-21 Adopted Budget

45-Day Revision



BASC
Business and Administration
Steering Committee

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Topic		
Background	Committee	
Introduction	Committee	
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Significant Changes	Dean West, Orange	Janet Riley, Merced
School Finance, Instruction & Accountability for 2020-21 School Year	Michael Simonson, San Diego	Dean West, Orange
Learning Loss Mitigation	Bill Ridgeway, Santa Barbara	Priscilla Quinn, Kern
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Categorical Reductions	Josh Schultz, Napa	Tommy Welch, Solano
Fiscal Flexibility Provisions	Mary Downey, Sonoma	Janet Riley, Merced
Cash Flow / Deferrals	Misty Key, Ventura	
Reserves / Reserve Cap	Shannon Hansen, San Benito	Rebecca Olker, Santa Cruz
Negotiations	Mary Downey, Sonoma	
Pension Contribution rates	Tommy Welch, Solano	Mary Downey, Sonoma
Summary	Dean West, Orange	

Sources

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Bob Blattner and Associates
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California Public Employees' Retirement System
California State Teachers' Retirement System
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
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Table of Contents

- Sources..... 4**
- Background..... 6**
 - 2020-21 Adopted Budget Key Guidance6
 - Significant Changes Since May Revision7
 - School Finance, Instruction & Accountability for 2020-21 School Year7
 - Learning Loss Mitigation8
 - Planning Factors for 2020-21 and MYPs11
 - Local Control Funding Formula (LCFF)12
 - Local Control and Accountability Plan (LCAP)12
 - Proposition 9813
 - Special Education13
 - Early Childhood Education.....14
 - Categorical Programs14
 - Fiscal Flexibility Provisions15
 - Cash Flow / Deferrals15
 - Reserves/Reserve Cap.....16
 - Negotiations16
 - Pension Contribution Rates17
- Summary..... 17**
 - Apportionment Deferrals Chart18

Background

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, based on assumptions used by the state Department of Finance (DOF), which can be used in providing guidance to school districts.

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 most up-to-date information at the time of the Common Message writing.

2020-21 Adopted Budget Key Guidance

On June 29, 2020 the Governor signed several bills to enact the education budget. Revenue reductions proposed at May Revision were shifted to cash deferrals across fiscal years. In his signing message, the Governor stated, “this bill protects school funding from uncertainties caused by COVID-19, including for schools that offer distance learning to accommodate public health and safety conditions.”

The budget and trailer bills include several programs that will protect education, including legislation discouraging classified layoffs and prohibiting the layoffs of certain certificated and classified employees for one year. Additional provisions create an ADA hold harmless and new requirements for distance learning. Learning loss mitigation grants and federal funds continue to be a major support as schools look to return to in-person instruction. Employer pension rates are reduced for two years by redirecting the long-term unfunded pension liability buy-down.

The State Budget was signed on time, but bills such as AB 1384, which addresses the liability concerns related to COVID-19, bear watching. The liability protections afforded under the proposed law would apply to any claims for injury or damages alleged to have been sustained throughout the COVID-19 pandemic or within 12 months following the end of the declaration of a state of emergency, whichever is later.

Significant Changes Since May Revision

The primary change from the May Revision is the restoration of Local Control Funding Formula (LCFF) revenues and the increase in cash deferrals. Below are the major changes:

- Restores 7.92% reduction to LCFF base grant amount (sets COLA at 0.00%, instead of using -10% proration factor after statutory COLA).

- Restores categorical program reductions.

- Adds \$1 billion to learning loss mitigation and changes formulas.

- Adjusts Special Education formula and sets the base rate at \$625/ADA.

- Expands deferrals of 2020-21 apportionments to \$11 billion.

- Eliminates triggers in revenue reductions.

- Adds triggers to reduce \$11 billion of deferrals if federal legislation to provide additional federal funds to the state is not enacted by September 1.

School Finance, Instruction & Accountability for 2020-21 School Year

The trailer bill includes new Education Code establishing school finance, instruction, and accountability for the 2020-21 school year. LEAs will receive funding in 2020-21 based on 2019-20 ADA and must meet requirements for instructional minutes (revised minimum) and days, offer in-person instruction to the greatest extent possible and offer LEA wide or schoolwide distance learning per order or guidance from public health officer or for students who are medically fragile or who would be at risk by in-person instruction. Regular attendance collection is still required. The statute contains language outlining distance learning criteria including daily live interaction with certificated employees and peers for purposes of instruction, progress monitoring and maintaining school connectedness. If daily live interaction is not feasible as part of regular instruction, the LEA shall develop, with parent and stakeholder input, an alternative plan for frequent live interaction. Additional requirements include documenting daily participation and ensuring a weekly engagement record is completed for each pupil. Requirements of these provisions will be part of the 2020-21 audit guide.

County offices of education are working with the local health officers to align [COVID-19 Industry Guidance: Schools and School-Based Programs](#) provided by the California Department of Public Health to local conditions based on county attestation. [Stronger Together: A Guidebook for the Safe Reopening of California's Public Schools](#) provides guidance to schools. Below are considerations and assumptions to keep in mind as we enter this next phase.

The COVID-19 threat is evolving rapidly, and we cannot predict precise impacts on K-12 school operations or the timeframes in which they will occur. Rely on reasonable and prudent assumptions to plan and prepare:

- Expect a duration of at least 12 to 18 months

- Operations will be highly modified for COVID-19 prevention

- Devastating economic impacts for families
- Greater rates of absence
- Uneven and disproportionate learning impacts when reopening
- Increased need for social-emotional and mental health support
- Restrictions on athletic, extracurricular, and co-curricular activities
- Divided and vocal public opinion
- Lack of consistency in school programs and responses across the county

To address these assumptions and otherwise meet the needs of students for in-person instruction, distance learning, or a hybrid environment, LEAs should:

- Create noncontact options to keep 2020-21 processes on track
- Consider the needs of vulnerable students and staff
- Create plans to assess and correct gaps in learning
- Prepare a continuum of options for learning
- Integrate prevention measures in all transitions, settings, and situations
- Alter room layouts for physical distancing
- Adapt systems of support for blended and distance learning
- Create procedures to provide meals for children not on campus

It will be challenging to prepare and care for students during this time. Understanding the use of federal sources to meet this need is significant in this budget year and are discussed in the following section.

Learning Loss Mitigation

State and Federal Funds

Compared to the May Revision, nearly \$1 billion in additional one-time state general fund monies and federal dollars under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act will be distributed to LEAs. More LEAs will receive these monies than the governor proposed in the May Revision.

The funds will be allocated to LEAs as follows:

- \$1.5 billion for students with disabilities (SWD) to be distributed to LEAs based on their 2019-20 Fall 1 Census enrollment of SWDs ages 3 to 22. \$355 million is from the Federal Trust Fund (Governor's Emergency Education Relief [GEER] Fund) and \$1.14 billion is from the Coronavirus Relief Fund (CRF). Separate resource codes will be established based on the source of funds.
- \$2.86 billion from the CRF to be allocated to LEAs based on their proportion of supplemental and concentration grant funding using the 2019-20 P-2 principal apportionment certification.
- \$980 million to be allocated to LEAs based on the LCFF as of the 2019-20 P-2 principal apportionment certification. \$540 million is from the state general fund and \$440 million comes from the CRF. Separate resource codes will be established based on the source of funds.

The GEER and CRF funds are both provided by federal CARES Act. However, the appropriations are made from different federal agencies, which results in some differences in federal requirements. The LEA assurances will identify specific requirements for each funding source; information will also be provided to LEAs in CDE's apportionment letters.

Federal Trust Fund (GEER) resources shall be used from March 13, 2020 to September 30, 2021, and all other funds shall be used from March 1, 2020 to December 30, 2020.

Funds can be spent in four general categories: student learning supports; general measures that extend instructional time for students; providing additional core academic support for students who need it; and providing integrated services that support teaching and learning such as student and staff technology needs, mental health services, staff professional development, and student nutrition.

See [SB 98 bill text Section 110, \(d\)\(1\) through\(4\)](#).

(d) Funds apportioned to eligible local educational agencies from the Federal Trust Fund pursuant to subdivision (a) shall be used from March 13, 2020, to September 30, 2021, inclusive, and all other funds apportioned pursuant to this section shall be used from March 1, 2020, to December 30, 2020, inclusive, for activities that directly support pupil academic achievement and mitigate learning loss related to COVID-19 school closures, and shall be expended for any of the following purposes:

(1) Addressing learning loss or accelerating progress to close learning gaps through the implementation, expansion, or enhancement of learning supports that begin before the start of the school year and the continuation of intensive instruction and supports into the school year.

(2) Extending the instructional school year by making adjustments to the academic calendar, increasing the number of instructional minutes provided during each week or school day, or taking any other action that increases the amount of instructional time or services provided to pupils based on their learning needs.

(3) Providing additional academic services for pupils, such as diagnostic assessments of pupil learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices or connectivity for the provision of in-classroom and distance learning.

(4) Providing integrated pupil supports to address other barriers to learning, such as the provision of health, counseling, or mental health services, professional development opportunities to help teachers and parents support pupils in distance-learning contexts, access to school breakfast and lunch programs, or programs to address pupil trauma and social-emotional learning.

LEAs must certify that funding will be used in full compliance with federal law, and shall adopt, on or before September 30, 2020, at a regular board meeting, a learning continuity and attendance plan. Funds can be expended before the plan is adopted.

LEAs shall maintain a file of all receipts and records of expenditures for no less than three years, or, where an audit has been requested, until the audit is resolved, whichever is longer. LEAs shall report, on or before August 31, 2020, the balance of any unexpended funds received from the CRF to the Superintendent of Public Instruction (SPI). Funds from the CRF that are not expended by December 30, 2020, shall be reported to the SPI within 30 days and the SPI shall initiate collection proceedings.

Elementary and Secondary School Emergency Relief (ESSER)

California received \$1.6 billion in CARES Act Elementary and Secondary School Emergency Relief (ESSER) funds. Nearly \$1.5 billion of these monies will be distributed during the 2020-21 fiscal year based on the LEA's share of fiscal year 2019-20 Title I, Part A funds, after they complete a simple application process.

Log in at: <https://www3.cde.ca.gov/esserassurances/logon.aspx>

LEAs should have received an email and PIN. If you have questions, contact the CDE at CARESAct@cde.ca.gov

Eligible uses of ESSER funds can be found [here](#).

The remaining ESSER monies not allocated directly to LEAs, including private schools (approximately \$163 million), will be used in the following ways:

- \$45 million to the SPI to establish and administer the California Community Schools Partnership Program to award grants on a competitive basis to selected school districts, county offices of education, and charter schools, excluding nonclassroom-based charter schools, to support and expand existing community schools.

- \$112.2 million to CDE to reimburse LEAs up to \$0.75 per meal for school meals served during school closures for the period March 2020 to August 2020.

- \$6 million for professional development via the UC Subject Matter Projects.

Planning Factors for 2020-21 and MYPs

Key planning factors for LEAs to incorporate into their 2020-21 45-Day Revision and multiyear projections are listed below and are based on the latest information available as of the final 2020-21 state budget. Significant budget deferrals eliminate the deficit factor initially anticipated in the May Revision.

Planning Factor	2020-21	2021-22	2022-23
Statutory COLA	2.31%	2.48%	3.26%
COLA Suspension	-2.31%	-2.48%	-3.26%
Funded LCFF COLA	0%	0%	0%
Add-on, ERT & MSA Prorated Factor	0%	0%	0%
STRS Employer Rates (Approximate)	16.15%	15.92%	18.40%
PERS Employer Rates (Approximate)	20.70%	22.84%	25.90%
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	\$32.18 \$61.94	\$32.18 \$61.94	\$32.18 \$61.94
Mandated Block Grant for Charters K-8 per ADA 9-12 per ADA	\$16.86 \$46.87	\$16.86 \$46.87	\$16.86 \$46.87
State Preschool (CSPP) Part-Day Daily Reimbursement Rate	\$30.87	\$30.87	\$30.87
State Preschool (CSPP) Full-Day Daily Reimbursement Rate	\$49.85	\$49.85	\$49.85
General Child Care (CCTR) Daily Reimbursement Rate	\$49.54	\$49.54	\$49.54
Routine Restricted Maintenance Account <i>(Flexibility for calculation to exclude STRS and PERS on behalf payments from calculation)</i>	3%	3%	3%

Local Control Funding Formula (LCFF)

The final budget suspends the statutory COLA of 2.31% on the LCFF and removes the 10% proration factor proposed in the Governor's May Revision to hold all LEAs harmless at 2019-20 funding levels. This change is made possible in part by increasing deferrals of the principal apportionment to \$11 billion to be paid in the 2021-22 fiscal year. Up to \$5.7 billion of the deferral will be eliminated if federal legislation to provide an additional \$14 billion in federal relief to the state is enacted by September 2020. If a lesser amount is received, the deferral will be reduced in a proportional amount as determined by the Director of Finance.

While this change is extremely good news for all LEAs, the core revenue and economic outlook assumptions remain unchanged. Moreover, representatives of the Legislative Analyst's Office (LAO) generally agreed with the administration's core assumption that COVID-19 is a multiyear problem that may result in further deterioration of the state's fiscal condition in 2021-22.

The LCFF planning factors for the multiyear projection assume the application of zero COLA in 2021-22 and 2022-23. All LEAs should continue to develop multiple multiyear projection scenarios to be prepared for the considerable downside risks that exist in 2021-22 and 2022-23. Because the 2020-21 education budget includes \$11 billion in deferrals (an increase of \$9.1 billion compared to 2019-20), and because this increase in deferrals (equivalent to approximately 14% of all LCFF funding in 2020-21) represents the shortfall in state funding available in 2020-21 to fund education at current levels, districts should seriously consider the distinct possibility that increased deferrals, reduced LCFF funding or both may occur in 2021-22 and 2022-23.

Local Control and Accountability Plan (LCAP)

The budget replaces the May Revision proposal for LEAs to adopt a 2020-21 LCAP and Annual Update in December 2020 with a new one-year requirement for LEAs to adopt a Learning Continuity and Attendance Plan by September 30, 2020. The bill requires CDE, in consultation with the Executive Director of the State Board of Education, to develop a template plan on or before August 1, 2020.

Education Code Section 43509 enumerates engagement requirements for development of the new plan, as well as specific and extensive requirements for the plan's contents. LEAs will be required to address all of the following:

- How COVID-19 impacts students and staff in the areas of health and safety, measuring student participation and academic progress through synchronous instruction, measuring the time value of student work, and the metrics to be used to measure learning loss
- How LEAs will address learning loss from COVID-19 in the 2019–20 and 2020–21 school years
- How LEAs will conduct outreach to students and parents/guardians when students are not engaging or are absent

Types of additional supports to address the learning loss of, and accelerate learning progress for, English learners, foster youth, homeless students, and low-income students

Types of professional development support and resources for educators

How LEAs will provide student meals for in-person instruction and distance learning for the school year

How LEAs will align state and federal funding, including supplemental and concentration grants to align with student needs. The template will require the listing of planned actions and expenditures to carry out these plans, and a demonstration of how the LEA is meeting the requirement to provide increased or improved services under LCFF.

The plan must be presented at a public hearing of the governing board at least one day before a separate governing board meeting where the plan will be adopted.

District plans must be submitted to the county superintendent within five days of adoption. The county superintendent may submit comments and recommendations to the district, but the plan is not subject to county office approval.

LEAs will still be required to adopt a 2020-21 LCFF Budget Overview for Parents with the First Interim Report by December 15, 2020. The procedures necessary for adoption of the Budget Overview for Parents may require cleanup legislation, since under current law (EC 52064.1) the Budget Overview adoption is inseparable from the LCAP.

Proposition 98

The budget appropriates the Prop. 98 minimum guarantee at \$70.9 billion for the 2020-21 budget year. The budget provides for supplemental appropriations above the constitutionally required Prop. 98 funding level beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of general fund revenues each year, until the cumulative total of supplemental appropriations reaches \$12.37 billion. This will accelerate growth in the guarantee for the interim years and will ultimately increase the K-14 share of the general fund from approximately 38% to 40% in Test 1 years.

Special Education

For the 2020-21 fiscal year, the budget includes a new Special Education base funding formula that utilizes each individual LEA's ADA, including districts, charters and COEs; calculates allocations to SELPAs based on the ADA reported for the SELPA for the current fiscal year, the most recent prior fiscal year, or the second most recent prior fiscal year (whichever is greatest) and continues to allocate funds to SELPAs. The budget includes an additional, ongoing \$545 million for distribution through the new formula, comprised of \$152.6 million in AB 602 funding and redirecting \$392.7 million of the \$492.7 million in Special Education early intervention grant funding, both of which were provided in 2019-20. The remaining \$100 million is allocated to increase funding for low incidence disabilities in 2020-21. This increased, ongoing allocation to the new base funding formula results in a 2020-21 base rate of \$625 per ADA.

All other existing AB 602 Special Education categorical funding sources remain unchanged and frozen at 2019-20 funding levels until a new funding formula is adopted in a future fiscal year. \$500,000 in one-time IDEA funding is allocated for a study of the current SELPA governance and accountability structure and \$350,000 in IDEA funds is provided to develop a standardized IEP template and addendum for distance learning.

Early Childhood Education

The final budget restored the 10% rate cuts to the Regional Market Rate used for voucher-based programs and the Standard Reimbursement Rate (SRR) used for center-based programs and applies no COLA for child development programs. Added language permanently removes the negative growth factor in child development programs. A “childcare trigger” assumes additional federal money coming in to fund additional childcare access, reopening grants for centers and family childcare homes, and provider stipends.

A hold harmless for Title 5 center-based programs applies from July 1, 2020 to June 30, 2021, with caveats:

- Programs will be reimbursed 100% of MRA or net reimbursable program costs, whichever is less;

- Programs must be open by September 8, 2020, or within 21 calendar days from the start date of the program’s CDE approved calendar; and

- If the program is physically closed due to local or state public health order due to COVID-19, it shall provide distance learning and submit a distance learning plan to CDE.

The budget moves all child development programs from CDE except State Preschool (CSPP) to the Department of Social Services effective July 1, 2021. It adds \$47.2 million in Child Care and Development Block Grant funds for 5,600 additional Alternative Payment Program voucher based child care spaces; \$144 million in federal CARES Act funds to provide emergency vouchers and supplies, a family fee waiver and an extension of \$50 million in emergency vouchers; and \$73 million in federal CARES Act funds for 2020-21 emergency vouchers to extend the program for 90 days, with the option to extend if funds are available. Trailer bill language targets \$125 million in Federal Cares Act funding to voucher providers including exempt providers (Stages 1, 2, 3 and AP). It also eliminates one-time funding from the 2019-20 Budget Act for infrastructure and workforce development grants.

Standard Reimbursement Rates for center-based contracts utilizing the SRR per SB 98:

CSPP – Part-Day	\$30.87
CSPP – Full Day	\$49.85
CCTR (Gen. Childcare)	\$49.54

Categorical Programs

The budget rejects the May Revision cuts to existing Prop. 98 funded categorical programs. All the programs, including CTE Incentive Grants, Strong Workforce, ASES, and Adult Education will continue to be funded at their existing statutory levels. The one exception is that the May Revision’s \$3.5 million cut to the Exploratorium was approved.

Fiscal Flexibility Provisions

LEAs will receive funding in 2020-21 based on 2019-20 ADA and must meet distance learning and instructional day requirements to avoid an audit penalty (see School, Finance, Instruction and Accountability section).

Flexibility relief proposed in the May Revision remains the same, as follows:

- Exemption if apportionment deferrals create a documented hardship (limited)
- Authority to exclude state's pension on-behalf-of payments for the Routine Restricted Maintenance Account (RRMA) calculation
- Increase in internal interfund borrowing limits (subject to public hearing) from 75% to 85%
- Use proceeds from property sales for one-time general fund purposes
- Extension of statutory timelines to address the annual LEA audit due to COVID-19

Cash Flow / Deferrals

The budget includes a significant amount (\$11 billion) of principal apportionment cash deferrals from 2020-21 to 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

If sufficient federal funds are provided to the state for the 2020-21 fiscal year that may be used to offset the deferral amounts, the Director of Finance shall reduce the deferral amounts starting with the deferrals occurring earliest in the fiscal year. We should know the status of federal funds provided to the state by September 2021.

For cash flow projection and appropriate TRAN sizing purposes, plan on the full principal apportionment to be deferred in the listed months. It is possible that a partial principal apportionment could be paid if federal funds are received, but there are many uncertainties and the partial amounts are unknown. For fiscal solvency and adequate cash flow to meet payroll and other obligations, LEAs should plan to receive no principal apportionment in the deferral months.

A fiscal hardship exemption is allowed for up to \$100 million in each deferral month (February, March, April, May, and June 2021). LEAs that meet specified fiscal hardship criteria would receive the principal apportionment in the original month scheduled to be paid.

Reserves/Reserve Cap

The health and economic crisis has necessitated a stimulus of federal funds and stabilization of state funds with ADA and hold harmless protections. Districts should focus on maximizing the use of one-time federal funds due to their restrictive nature for this period of time and reserve local resources to address the potential impacts of possible deterioration of future revenue streams. The one time use of funds to provide current year protection may not be sustainable in a continued weak economy.

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 Section 42127.01.

Negotiations

Negotiations will continue to be challenging. The full effect of the COVID-19 pandemic and the length of the resulting recession is still unknown. While the 10% reduction in LCFF funding was rejected in the final budget package, it was replaced with no LCFF COLA and \$11 billion in cross fiscal year deferrals. This will require LEAs to monitor cash monthly. LEAs will most likely need to resort to borrowing, either internally or externally. Uncertainty of federal funding and potential declines in state personal income tax revenues will also be a factor. LEAs will need to be thorough and meticulous in calculating the impact of bargaining settlements. Realistic cash, revenue and expenditure projections are essential, along with enrollment projections and analysis of staffing ratios.

With rising costs, it is inevitable that cost reductions will be required for many LEAs, particularly in the out years of the multiyear financial projection. However, legislation prohibits the use of the summer layoff window of August 15 for 2020-21 for certificated employees, except certificated employees holding a position that requires an administrative or supervisory credential. LEAs should still plan to follow the March 15, 2021 deadline process for layoffs for the 2021-22 fiscal year. For classified employees, legislative intent is to avoid layoffs of classified employees for 2020-21 and prohibit layoffs for those in the classifications of transportation, nutrition, and custodial services.

Pension Contribution Rates

The 2020-21 budget agreement continues to include a budget allocation to buy down the LEA employer contribution rates for CalSTRS and CalPERS in 2020-21 and 2021-22. The amounts are not final as they require the Governor to sign Assembly Bill 84.

It is currently estimated that the amounts allocated will set the CalSTRS employer contribution rate at 16.15% in 2020-21 and 15.92% in 2021-22.

It is currently estimated that the amounts allocated will set the CalPERS Schools Pool employer contribution rate at 20.70% in 2020-21 and 22.84% 2021-22.

It is anticipated at this time that the rates in 2022-23 will be the rates published prior to the budget agreement: 18.40% for CalSTRS and 25.90% for CalPERS.

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.

Apportionment Deferrals Chart

Apportionment Deferrals

As of State Budget Adoption
Fiscal Year 2020/21

