



MARIN COUNTY
OFFICE OF EDUCATION
building the future... one student at a time

2020-21 May Budget Revision Update

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May 15, 2020

May Revision Highlights

- *24.5% unemployment rate in CA*
- *42.2B reduction in tax revenues*
- *22.3% reduction in revenues since January budget proposal.*
 - *Personal Income Tax—reduced by 25.5%;*
 - *Corporate Tax—reduced by 22.7%;*
 - *Sales Tax—reduced by 27.2%.*
- *Governor proposing a \$133.9B General Fund budget (9.4% decrease from 2019-20 budget)*
 - *\$203.3B from all sources (5.4% decrease from 2019-20 budget).*
- *\$54.3B budget deficit*
 - *Projected \$42.2B reduction in revenues and a corresponding \$13.1B increase in caseload growth.*
- *May Revision balances the budget, a significant structural out-year deficit would remain, increasing to over \$16 billion by 2023-24.*

May Revision Highlights

- 2020-2021 Total Budget is projected to be \$203.3 billion
- 2020-2021 General Fund budget is projected to be \$133.9 billion.
- Rainy Day Fund— The Budget draws down \$16.2 billion in Rainy Day Fund over three years.
 - Reflects the withdrawal of \$8.3 billion, including \$7.8 billion from the RainyDay Fund and \$450 million from the Safety Net Reserve in 2020-21.

May Revision Highlights

May Revision Proposes Balanced Solution

(dollars in billions)

Cancelled Expansions & Other Reductions	\$8.4
Reserves	8.8
Borrowing/Transfers/Deferrals	10.4
New Revenues	4.4
Federal Funds	8.3
Triggers	14.0
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	\$54.3

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May Revision Solutions Highlights

- January 2020 Budget Proposal Rollbacks
 - Represents a 15% reduction
- Special Funds, Borrowing and Deferrals
 - Borrow \$4.1B from Special Funds, and \$6.3B in deferrals. (19% of solutions)
 - \$5.3B in school deferrals
- Program Cuts and Triggers
 - Variety of program funding reductions, totaling \$14B
 - Only “triggered” if no additional funds from Feds
- State Workforce Wage Cuts
 - 10% reduction in employee salaries, and a 5% reduction for state agencies/depts
- Revenue Enhancements
 - Limits on several existing tax credits and tax extensions.
 - Represents 8% of his deficit closing solutions.

Mitigation of Cuts to Schools

- **Temporary Revenue Increases**
 - Proposes temporary three-year suspension of net operating losses and limitation on business incentive tax credits
 - Offsets no more than \$5 million of tax liability per year. These measures along with other more minor tax changes will generate \$4.5 billion in General Fund revenues and approximately \$1.8 billion in benefit to the Proposition 98 Guarantee
- **Federal Funds**
 - Proposes one-time \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund)
- **Revising CalPERS/CalSTRS Contributions**
 - 2019 Budget Act included \$850 million to buy down local educational agency employer contribution rates for CalSTRS and CalPERS in 2019-20 and 2020-21, as well as \$2.3 billion towards the employer long-term unfunded liability.
 - Proposes redirecting \$2.3 billion to provide fiscal relief to pay CalSTRS and CalPERS towards long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22.

Prop 98

- May Revision estimates Guarantee will decline by \$19 billion from the Governor's Budget.
 - Approximately 23 percent of the 2019 Proposition 98 funding level.
 - 2020-21 = \$70.5 billion
 - 2019-20 = \$77.4 billion
- May Revision proposes an additional obligation for schools to avoid a permanently depressed level of funding for K-14 schools.
 - In 2019-20 and 2020-21, the Proposition 98 funding level drops by approximately \$13 billion under Test 1
 - To accelerate Prop 98 recovery, May Revision proposes supplemental appropriations above guarantee, beginning in 2021-22, and beyond, equaling 1.5 percent of General Fund revenues per year, up to a cumulative total of \$13 billion.
 - Meant to accelerate growth in the Guarantee
 - Currently, Proposition 98 guarantees that K-14 schools receive approximately 38 percent of GF revenues under Test 1
 - May Revision proposes to increase this share of funding to 40 percent by 2023-24.

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LCFF Cut 10%, with Caveat

- \$6.5 B reduction
- 10% cut to LCFF Base Rate
- Supplemental & Concentration impacted
- Results in a net approximate 8% cut, after applying 2.31% COLA
- Trigger language that reduces or eliminates if additional Federal COVID \$\$
 - If additional Federal \$\$ received, LCFF is 1st funding priority

LCFF Cut 10%, Impact

- We believe all districts affected, including Basic Aid districts
- Applies to Add-ons (TIIG, Transportation, etc.)
- Impacts Minimum State Aid
- Does not appear to impact Basic Aid Minimum State Aid
- LCFF Calculator has not yet been updated
- Results in a net 8% (approximately) reductions
- On average \$1,100/ADA cut
 - Varies by district's unique % of unduplicated students

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Deferrals & EPA

- Defers \$1.9 billion of LCFF apportionments to 2020-21.
 - June 2020 – July 2020
- An additional \$3.4 billion added to the 2019-20 deferral in 2020-21
 - Partial April, all of May & June, beginning 2021
- Total of \$5.3 billion in LCFF deferrals scheduled for payment in 2021-22

Pension Relief Rate Reductions

	STRS		PERS	
	2020/21	2021/22	2020/21	2021/22
Current	18.4%	18.2%	22.67%	25.0%
Proposed	16.15%	16.02%	20.7%	22.84%

Categorical Cuts

Proposals Withdrawn from the Budget:

- Educator Workforce Investment Grants: \$350 million
- Opportunity Grants: \$300.3 million
- Community Schools Grants: \$300 million
- Special Education Preschool Grant: \$250 million
- Workforce Development Grants: \$193 million
- Teacher Residency Program: \$175 million
- Credential Award Program: \$100 million
- Child Nutrition Programs: \$70 million
- Classified Teacher Credential Program: \$64.1 million
- Local Services Coordination (CCEE): \$18 million
- Computer Science Supplementary Authorization Incentive: \$15 million
- Online Resource Subscriptions for Schools: \$2.5 million
- California College Guidance Initiative: \$2.5 million
- Computer Science Resource Lead: \$2.5 million
- School Climate Workgroup: \$150,000

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Categorical Cuts

Reductions to K-12 Categoricals Contingent upon Federal Relief: Absent additional federal funds, May Revision includes the following reductions to K-12 categorical programs, totaling \$352.9 million:

- After School Education and Safety: \$100 million
 - Eliminates two recent rate increases; ongoing cut
- K-12 Strong Workforce Program: \$79.4 million
 - 50% Reduction
- Career Technical Education Incentive Grant Program: \$77.4 million
 - 50% Reduction
- Adult Education Block Grant: \$66.7 million
- California Partnership Academies: \$9.4 million
- Career Technical Education Initiative: \$7.7 million
- Exploratorium: \$3.5 million
- Online Resource Subscriptions for Schools: \$3 million
- Specialized Secondary Program: \$2.4 million
- Agricultural Career Technical Education Incentive Grant: \$2.1 million
- Clean Technology Partnership: \$1.3 million

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Special Education

- *Special Education Base Formula*—the May Revision sustains the Governor’s Budget proposal to increase special education base rates, updated at May Revision to \$645 per pupil
 - (reflecting the suspension of the 2.31 percent cost-of-living adjustment), apportioned on a three-year rolling average of local educational agency ADA (allocated to Special Education Local Plan Areas).
- New base rate represents a 15 percent increase in the Proposition 98 General Fund contribution to the base formula funding over the amount provided in the 2019 Budget Act.
- Proposes that all other existing AB 602 special education categorical funding sources remain as in current law until a finalized formula is adopted in future phases.

Federal Funding CARES Act

- CARES Act—Governor projects using \$8.3B of federal CARES Act funds, representing 15% of “solutions” to close the deficit.
- Uses \$4.4 billion for schools to run summer programs and other programs that address equity gaps that were widened during the school closures.
- Direct \$3.8 billion - public health and public safety; \$1.3 billion to counties for public health, behavioral health and other health and human services programs; and \$450 million to cities for public safety and to support homeless individuals.

Coronavirus Relief Fund (CARES Act) Funding Learning Loss Mitigation

- Proposes \$4.4 billion (\$4 billion CARES and \$355 million federal Governor's Emergency Education Relief Fund) to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures. Specifically, funds may be used for:
 - Learning supports that begin prior to the start of the school year, and the continuing intensive instruction and supports into the school year.
 - Extending the instructional school year, including an earlier start date, by increasing the number of instructional minutes or days.
 - Providing additional academic services for pupils, including diagnostic assessments of student learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices and connectivity for the provision of in-classroom and distance learning.
 - Providing integrated student 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 student trauma and social-emotional learning.

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CARES Act Funding Learning Loss Mitigation

- Funds will be allocated to local educational agencies offering classroom-based instruction
- Uses a formula that takes into account the share of students most heavily impacted by school closures, including students with disabilities, low-income students, English learners, youth in foster care, and homeless youth.
- Must use funds by December 30, 2020
- \$4.4 billion distributed on
 - 34% on Special Education Counts, \$1.5 billion
 - 66% on Concentration Grants, \$2.9 billion

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Elementary and Secondary School Emergency Relief Fund (ESSER Fund)

- **CARES Funding**

- California received \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds
- 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding for COVID-19 related costs
- Remaining 10 percent (\$164.7 million) is available for COVID-19 related state-level activities.
- Also must be used by December 30, 2020

Elementary and
Secondary
School
Emergency
Relief Fund
(ESSER Fund)
Remaining
\$164.7 Million

- \$100 million for grants to county offices of education
 - To develop networks of community schools and coordinating health, mental health, and social service supports for high-needs students.
 - The COVID-19 pandemic has exacerbated conditions associated with poverty, including food insecurity, housing and employment instability, and inadequate health care, which has led to additional barriers to learning.
- \$63.2 million for training and professional development for teachers, administrators, and other school personnel
 - Focus on mitigating opportunity gaps
 - Providing enhanced equity in learning opportunities
 - Addressing trauma-related health and mental health barriers to learning
 - Develop strategies to support necessary changes in the educational program, such as implementing distance learning and social distancing.
- \$1.5 million for the Department of Education for state operations costs associated with COVID-19 pandemic

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Elementary and Secondary School Emergency Relief Fund (ESSER Fund)

- While LEAs will need to apply to receive ESSER funding, the preliminary allocation amounts have been released to help LEAs with the development of their 2020-21 fiscal year (FY) budget (SACS Resource Code 3210).
- The application has not been released and federal funds cannot be apportioned to LEAs until authorization is provided in the California 2020-21 FY Budget Act.
- <https://www.cde.ca.gov/fg/aa/ca/caresact.asp>

LEA Flexibility

- Exemptions for local educational agencies if apportionment deferrals create a documented hardship.
- Authority for local educational agencies to exclude state pension payments on behalf of local educational agencies from the calculation of required contributions to routine restricted maintenance.
- Subject to public hearing, increases on local educational agency internal inter-fund borrowing limits to help mitigate the impacts of apportionment deferrals.
- Authority to use proceeds from the sale of surplus property for one-time general fund purposes.
- Options for specified special education staff to utilize technology-based options to serve students.
- Extension of the deadline for transitional kindergarten teachers to obtain 24 college units of early childhood education, from August 1, 2020 to August 1, 2021.
- The Administration intends to work with the Legislature and education stakeholders on other options, including expanded flexibility, to protect core services and minimize impacts on students in the context of reduced funding.

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Thank You

- This information is rapidly unfolding
- We'll continue to provide updates as more information becomes known
- Districts will receive updates to their LCFF Calculations after we receive the updated LCFF Calculator
- ***Questions?***