



30 TH ANNIVERSARY
FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

School Funding Forum

Marin County Office of Education

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K12 Budget At A Glance

- Revised three-year revenue forecast - \$16.1B higher for TK-14
- Third year contribution to school rainy-day fund - \$3.1B (\$500M less than PY)
- Proposition 98 growth (TK-14) - \$8.2B from June to \$102B (38.4% of revenue)
- 5.33% COLA on LCFF and many categoricals - \$2.4B
- Option to use prior year 3-year rolling average for ADA - \$1.2B
- Increased Special Education base funding - \$500M
- First of four-year universal transitional kindergarten expansion & 12:1 - \$1B
- Generally, builds on prior investments and priorities as opposed to introducing new programs

Revenues

- Revenue forecasts include sustained economic growth and acknowledge significant increases in inflation
 - General Fund revenue is up \$28.7B from 2020-21
 - Capital gains taxes as a percentage of GF revenues is 11.8%, slightly lower than the peak in 2021
- Continues to allocate a high percentage of expenditure proposals as one-time in nature providing a reasonable hedge
 - For Proposition 98, 58% are recurring investments, 42% are one-time
- Revenue growth provides the state general fund with a surplus of \$45.7B for 2022-23

Proposition 98 Reserves and Local Reserves

- Continue to build the state's public school rainy-day fund from \$6.7B to \$9.7B
- Current law provides for a 10% cap on school district reserves in fiscal years immediately succeeding those in which the Public School System Stabilization Account (rainy-day fund) is equal to or greater than three percent of the total K12 share of Proposition 98
 - School district assigned / unassigned reserve cap is triggered in 2022-23
 - Impacts approximately 250 school districts, 150 of which are estimated to have current assigned / unassigned reserves in excess of 10%
 - Reasonable workarounds are available to avoid reserve cap

Proposition 98

- Test 1 environment – funding based on K-14's proportion of GF revenues
- Proposition 98 growth - \$16.1B to \$102B
- \$3.6B COLA of 5.33% for LCFF and some categorical programs
 - Includes option to use more favorable prior year, three-year average ADA
- \$500M recurring Special Education base funding to \$820/ADA base
- \$1B recurring, first year implementation of universal transitional kindergarten and TK staffing ratios of 12:1
- \$3.4B recurring expansion of Extended Learning Opportunities Program plus another \$937M one-time to provide ELOP infrastructure in arts and music

Proposition 98 (cont.)

- \$596M to implement universal meal programs plus another \$453M one-time kitchen infrastructure and program start-up (two meals per day for all students)
- \$543M recurring investments in preschool, afterschool and charter school facilities
- \$4.7B one-time investments in early education expansion, early literacy coaches, multilingual school libraries, career pathways, dual enrollment programs, and electric school buses

Special Education

- Adds to the \$3.1B in special education investments over the last three years
- Provides \$500M to increase the average base funding rate to \$820/ADA
- Provides 5.33% COLA (same as LCFF)
- Adds \$500M one-time for early intervention expansion
 - Specific to students in inclusive preschool classrooms
 - Trailer Bill Language pending to determine if eligible for existing services or new and expanded services only
- Policy amendments for funding, LCAP, IEPs and alternative diploma

Universal Transitional Kindergarten

- Initial year of expansion towards universal transitional kindergarten
 - Funds students whose fifth birthday occurs between September 2 and February 2 – a two-month expansion
- Proposition 98 is “rebenched” to include non-Proposition 98 funds equal to the cost (\$639M)
- Allocates an additional \$383M to reduce student-to-adult ratio to 12:1
 - Within LCFF, not categorical – most likely a Grade Span Adjustment (GSA)
 - Will necessitate separation of TK from TK-3 GSA 24:1
- Teacher certification requirements effective August 1, 2023

Independent Study

- Signals a continuation of current year Independent Study provisions as an alternative to in-person instruction
 - Traditional IS (including short-term)
 - Course-based IS (an option worth looking at!)
- Means by which LEAs deliver remote instruction and generate ADA
 - Proposes significant change to allow time spent in synchronous instruction to be included in IS time calculations used to compute ADA

Looking Ahead

- FY2022-23 includes challenges for LEAs
 - The two-year employer contribution rate rollback for CalSTRS and CalPERS expires at the end of 2021-22 and contribution rates return to / catch up to their pre-pandemic schedule of increases
 - Unduplicated student count impacts from universal meal program and higher independent study enrollment
 - SB 328 (2019) is effective in 2022-23 re late school start time impacts transportation, athletics, after school programs, food service
 - Inflationary pressures from historic increases in CPI – up 7% in 2021
 - While the fiscal cliff from declining enrollment and ADA is mitigated and converted to a gradual slope, declines continue in both the short-term and long-term necessitating cost reductions

Questions

Thank you!