



DATE: June 26, 2020

TO: SELF

RE: *SSC's Sacramento Weekly Update*

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Governor Newsom and Legislature Reach Deal on 2020–21 State Budget

Governor Gavin Newsom, Senate President pro Tempore Toni Atkins (D-San Diego), and Assembly Speaker Anthony Rendon (D-Lakewood) announced on Monday morning that they had reached an agreement on the 2020–21 State Budget. Later that evening, the language for Assembly Bill (AB) 89, the bill that reflects the agreement that will amend the 2020–21 State Budget Act (Senate Bill [SB] 74) that the Legislature approved on June 15, 2020, was made available, as well as the language for the budget trailer bills—the implementing language of the budget—including the Education Omnibus Trailer Bill (AB 77). Below we provide some of the main education tenets of the budget deal, but for more information, including how the CARES Act dollars will be allocated for learning loss mitigation, please see the *Fiscal Report* article on page 3 below.

LCFF and Deferrals

The compromise reached by the parties rejects the May Revision proposal to reduce the Local Control Funding Formula (LCFF) by 10%, but does not provide the statutory 2.31% cost-of-living-adjustment (COLA). Instead of making cuts to the LCFF, lawmakers are relying on apportionment deferrals totaling approximately \$12 billion. The budget agreement provides that, if they materialize, the first call on new federal funds would restore \$5.7 billion in deferrals.

Certificated and Classified Layoffs

The agreement also waives the provision in statute that allows local educational agencies (LEAs) to lay off nonmanagement certificated staff in the summer if the LCFF is not provided a COLA of at least 2%, which effectively cancels the summer layoff window. The deal also states that classified staff who hold positions in nutrition, transportation, or custodial services may not be laid off during the 2020–21 fiscal year.

Categorical Programs

Additionally, the deal rejects the May Revision proposal to reduce a number of the state's remaining categorical programs, ensuring that the Career Technical Education, After School Education and Safety (ASES), and Adult Education programs retain their 2019–20 funding levels. In fact, the agreement not only restores the proposed reductions to ASES, but also provides an additional \$100 million for the program and gives the California Department of Education limited waiver authority for ASES program hours, rates, ratios, and days for the 2020–21 school year.

Special Education

The deal adopts the Administration's new special education funding formula at a rate of \$625 per average daily attendance, based on the higher of current, prior, or second prior year. Funding will continue to flow through Special Education Local Plan Areas (SELPA) and those SELPA that are currently funded above that level will retain their 2019–20 funded rate with no COLA.

Next Steps

The Senate approved AB 89 on Thursday evening and the Assembly will approve the bill during its 1:00 p.m. session today, meaning the Governor will likely be in possession of the bill that reflects Monday's deal by Friday evening. The Legislature will likely send most, if not all, of the budget trailer bills to the Governor as well, which will allow the Governor to take action on the entire budget proposal at the same time.

Leilani Aguinaldo

2020–21 State Education Budget Details Emerge

By SSC Team
School Services of California Inc.'s *Fiscal Report*
June 23, 2020

After much anticipation on June 22, 2020, Governor Gavin Newsom and legislative leaders announced a budget agreement that addresses the state's multibillion dollar deficit just days before the new fiscal year begins on July 1. In a joint statement with Senate President pro Tempore Toni Atkins (D-San Diego) and Assembly Speaker Anthony Rendon (D-Lakewood), Governor Newsom intimated that the deal represents tough decisions and that more work will be necessary to keep the state's fiscal house in order.

In the coming days, the Legislature will need to approve a budget bill that represents the agreement, along with policy trailer bills that detail many of the budget provisions. Yesterday, Senate Bill (SB) 98/Assembly Bill (AB) 77 were amended with the education budget details. We highlight key features below.

Local Control Funding Formula. The budget agreement maintains the Local Control Funding Formula (LCFF) at its 2019–20 levels—meaning the LCFF is neither cut by the May Revision's proposed 10% nor is it increased by the 2.31% statutory cost-of-living-adjustment. Logistically this is done by providing an inflation factor of zero to the LCFF.

Deferrals. Instead of imposing cuts to the LCFF, lawmakers rely on K–12 apportionment deferrals totaling approximately \$12 billion. The budget agreement provides that, if they materialize, the first call on new federal funds will restore deferrals above the May Revision's \$5.4 billion proposal. The budget agreement requires the following schedule for deferred payments:

- Continuation of the Second Principal Apportionment (P-2) deferral from June to July
- \$1.54 billion from February apportionment is paid in November
- \$2.38 billion from March, April, and May apportionments is paid in October, September, and August, respectively

Given the magnitude of the deferrals, local educational agencies (LEAs) inevitably will have to resort to internal and external borrowings to meet their monthly obligations, and LEAs that rely more heavily on cash flow from the state will feel a greater effect. The budget agreement will allow for exemptions from the deferrals when charter schools or districts will not be able to meet their obligations, but requires certification that the LEA has exhausted borrowing remedies and absent an exemption will need an emergency state loan.

Learning Loss Mitigation Funding. The agreement provides a significant, offsetting source of one-time revenue in federal Coronavirus Aid, Relief, and Economic Security Act and other funds, primarily to address student learning loss as a result of the health pandemic. Specifically, the deal appropriates the following funds:

- \$1.5 billion for students with disabilities (SWD) to be distributed to LEAs based on their Fall 1 Census enrollment of SWDs ages 3 to 22

- \$2.86 billion to be allocated to LEAs based on their proportion of supplemental and concentration grant funding using 2019–20 second principal apportionment certification
- \$980 million to be allocated to LEAs based on the LCFF as of the 2019-20 principal apportionment, which equals approximately \$165 per average daily attendance (ADA)

We provide a database at the end of the article to view what your LEA can expect to receive from the three learning loss mitigation subsets. Funds can be spent on 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.

Receipt of learning loss mitigation funds are contingent upon the adoption of a Learning Continuity and Attendance Plan (see below), as well as specified reporting requirements of unexpended funds.

ADA Hold Harmless Provision, Distance Learning Standards, and Learning Continuity and Attendance Plans. Given the uncertain trajectory of the coronavirus, along with the absence of effective therapies and a vaccine, LEAs and lawmakers anticipate that schools could be shuttered once again, warranting provisions to protect LEAs from state funding losses. The budget agreement includes an ADA hold harmless provision for 2020–21 that relies on adjusted ADA for 2019–20. In addition, the 2020–21 budget agreement establishes requirements to meet grade span instructional minutes through a combination of in-person instruction and distance learning when the latter is warranted as a result of a state, local, or federal directive. While the legislation allows for distance learning under specified circumstances, safeguards are included to ensure that:

- Students have access to connectivity and devices to participate in distance learning and complete work
- Instruction is substantially equivalent to the quality and rigor of classroom-based instruction
- Special education services are provided and individualized education programs can be executed in the distance learning environment
- Procedures are in place to reengage students who are absent from distance learning for more than three days

Accountability in 2020–21 will rely on a Learning Continuity and Attendance Plan which must be adopted by September 30, 2020, subject to specified consultation and public noticing requirements. The State Superintendent, in consultation with the State Board of Education’s executive director, shall adopt a template plan no later than August 1, 2020. The Local Control and Accountability Plan is no longer required for 2020–21, but LEAs must still adopt their LCFF Budget Overview for Parents by December 15, 2020. The Learning Continuity and Attendance Plan shall articulate 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

Finally, LEAs will be required to articulate how state and federal funds included in their adopted or revised budgets will be used to support the Learning Continuity and Attendance Plans, including how supplemental and concentration grants, along with federal funds used to backfill losses from reductions to the LCFF on a dollar-for-dollar basis, will be used to meet LCFF proportionality requirements.

Special Education. As proposed by Governor Newsom in January and updated in May, special education funding will be moving to a new funding formula in 2020–21 and receive a significant ongoing funding increase of \$545 million in the process. Funding will now be calculated at the LEA level, but funds will continue to flow through the SELPA structure. LEAs will generate at least \$625 per ADA and those LEAs within SELPAs currently funded above this level will be held harmless. As proposed in the Legislature, \$100 million will be added to the low-incidence disabilities cost pool, which currently receives \$18 million—no other programmatic changes appear to be proposed for the funds.

CalSTRS and CalPERS. Trailer bill language in AB 84 details the state investment to buydown employer contribution rates for the California State Teachers' Retirement System (CalSTRS) and the California Public Employee's Retirement System in 2020–21. The bill also removes the CalSTRS Board's ability to change the rate in 2020–21, instead keeping the 2019–20 rate in statute. A future *Fiscal Report* article will detail the employer contribution rates that are included in the budget agreement.

Certificated and Classified Staff Protections. Finally, the budget agreement removes the authority of LEAs to lay off non-management certificated staff this summer, despite not meeting the 2% threshold for LCFF levels agreed to for 2020-21. However, the summer layoff window allowed by current law is in place for positions that require an administrative or supervisory credential. Additionally, classified staff who hold positions in nutrition, transportation, or custodial services may not be laid off from July 1, 2020, to June 30, 2021.

The Assembly and Senate are poised to take final actions to approve the new budget bill reflecting the agreement and trailer bills by Friday, June 26, 2020, in time for Governor Newsom to act on them by Saturday, June 27—his deadline to act on the original budget bill approved by the Legislature.

We will provide greater detail about all of these issues and more during our School Finance and Management Conference in July. To register, click [here](#).
