



# Governor's Proposals for the 2020–21 State Budget and K–12 Education

MDUSD Board Meeting  
January 27, 2020

Presented by Dr Lisa Gonzales  
Chief Business Official



# Overview

- Take a look at the national and California economic picture
- Better understand the impact of Prop 98, cash flow and LCFF (Local Control Funding Formula)
- Discuss funding proposals and changes
- Identify additional programs proposed in the budget
- Begin to review the implications for MDUSD





# UCLA Economic Outlook

- Revised growth projections
  - Was 3-2-1 Economy
  - Now 3-2-2 Economy
    - 3% GDP\* growth in 2019
    - 2% GDP growth in 2020
    - 2% GDP growth in 2021



\*Gross domestic product (GDP)



# The California Economy

- California economy is solid but future predictions point to slowing growth in GDP from 3.5% in 2018 to 2.6% currently

- Cargo traffic slowing as a result of trade war
- Risk of increased unemployment
- State tax revenues that fund education are the most volatile in history



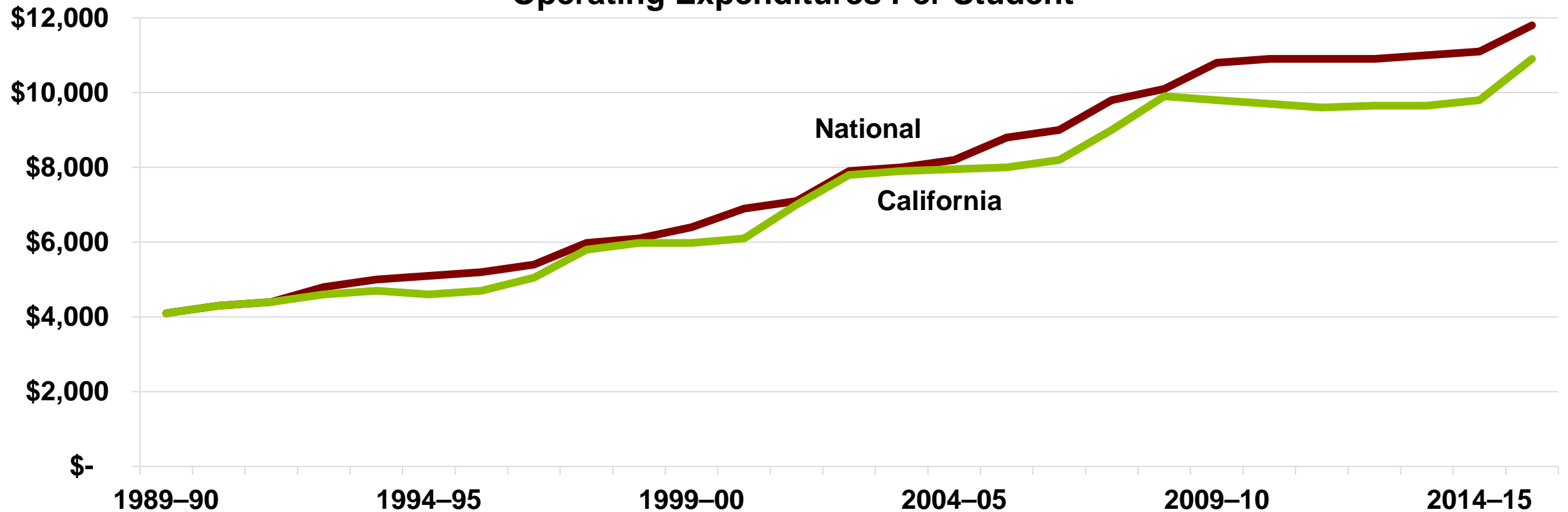
- Economy continues to grow
- Housing sales volume remains strong
- Full employment





# California's Proposition 98 vs. the Rest of the Nation

### Operating Expenditures Per Student<sup>1</sup>



<sup>1</sup>Reflects spending data reported by the U.S. Census Bureau. Amounts for 1988-89 to 1990-91 have been adjusted for comparability with subsequent years. Amounts shown for 2014-15 reflect an Legislative Analyst's Office (LAO) estimate.

Source: LAO, *A Historical Review of Proposition 98*, page 27, January 2017



# Statewide Average Reserves

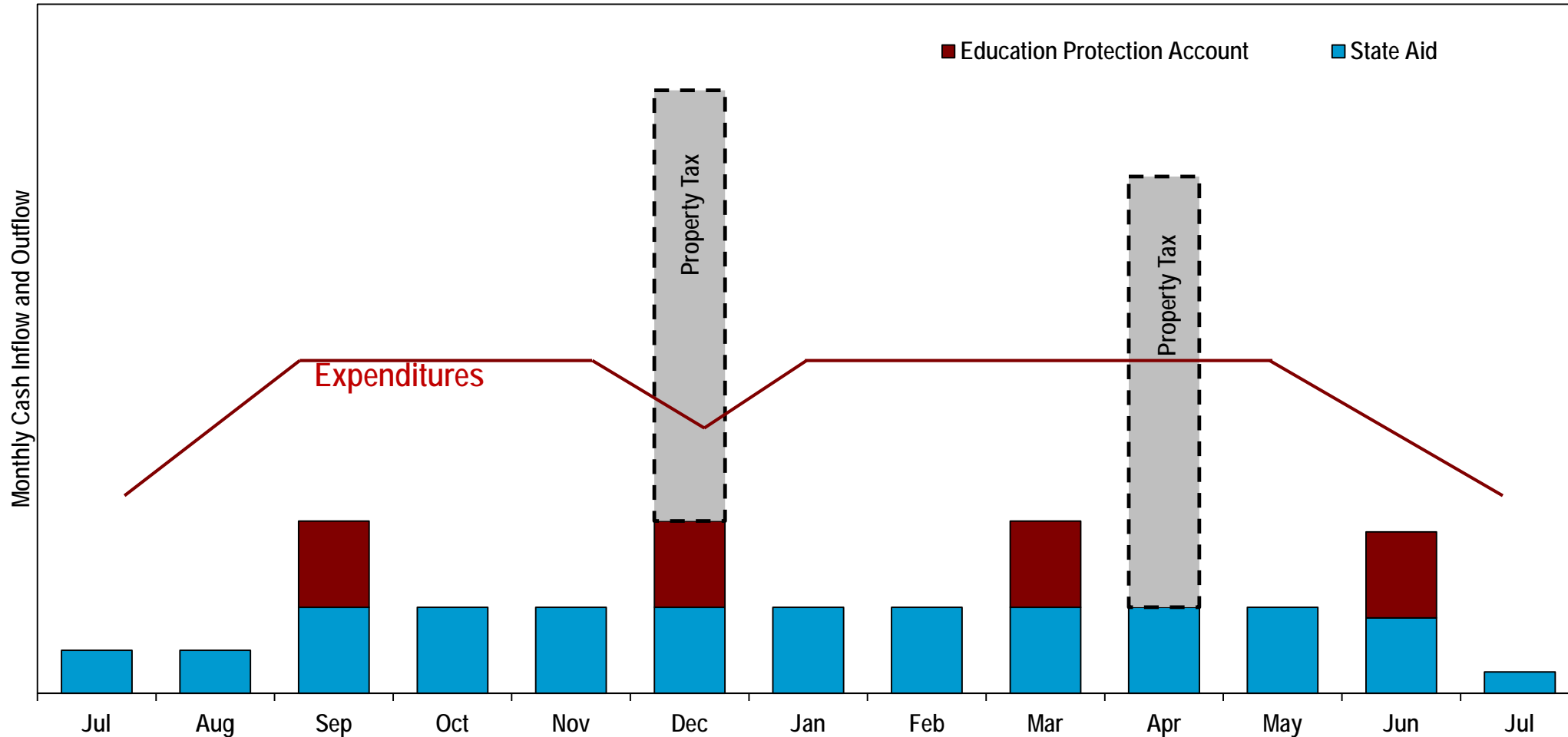
- 2017–18 statewide average reserve levels are slightly down from the prior year
  - Close to the 17%, or two months of expenditures, as recommended by the Governmental Finance Officers Association

2017–18 Average Unrestricted Net Ending Fund Balance		Change From Prior Year
Unified School Districts	16.98%	-0.27%
Elementary School Districts	20.20%	-0.88%
High School Districts	15.63%	-1.01%





# Maintain Reserves for Cash Flow





# 2020–21 Local Control Funding Formula

- The State Budget proposes \$1.2 billion towards the LCFF to fund the 2.29% statutory COLA
  - Which brings LCFF funding to \$64.2 billion (up from \$63 billion in 2019–20)
  - This is lower than the 3% COLA projected at adoption of the 2019-20 State Budget, but higher than the LAO's estimate of 1.79%
- 2020–21 LCFF growth provides an average increase in per-pupil funding of an estimated \$231 per ADA, or 2.14% (individual results will vary)
  - The lower 2.14% increase takes into consideration that no COLA is provided for Targeted Instructional Improvement Grant, Transportation, or Economic Recovery Target funds
- The cost of servicing the salary schedule of employees will exceed the new dollars that are available
  - New dollars = \$231 per ADA
  - Dollars needed to cover step and column increases and increased pension costs = \$313 per ADA





# 2020–21 LCFF Funding Factors

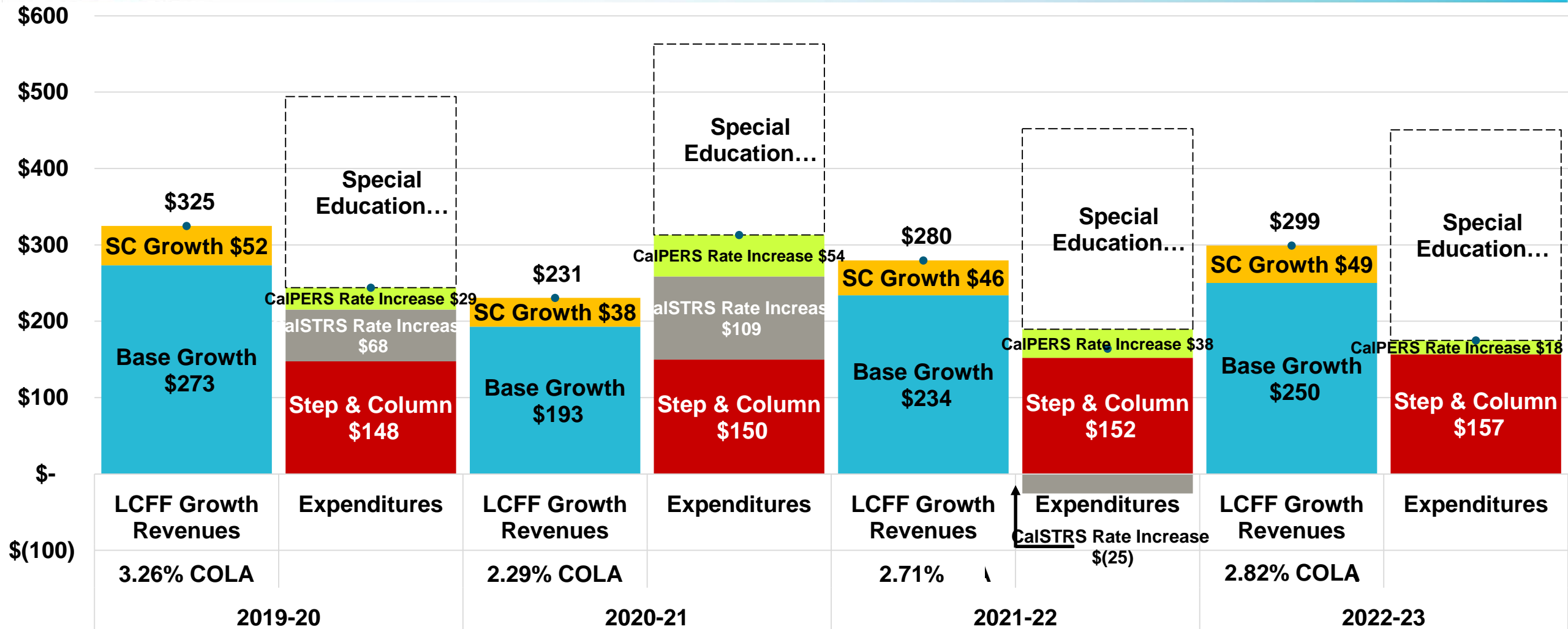
- The K–12 COLA is 2.29% for 2020–21 and is applied to the LCFF base grants for each grade span
- Two grade span adjustments (GSAs) are applied as percentage increases against the adjusted base grant, also receiving the benefit of a 2.29% COLA in 2020–21
  - Grades K–3 receive a 10.4% increase for smaller average class sizes
  - Grades 9–12 receive a 2.6% increase in recognition of the costs of career technical education coursework

Grade Span	2019–20 Base Grant per ADA	2.29% COLA	2020–21 Base Grant per ADA
K–3	\$7,702	\$176	\$7,878
4–6	\$7,818	\$179	\$7,997
7–8	\$8,050	\$184	\$8,234
9–12	\$9,329	\$214	\$9,543





# Per-ADA Growth in Revenues and Expenditures



Supplemental/Concentration (SC) ▪ California Public Employees' Retirement System (CalPERS) ▪ California State Teachers' Retirement System (CalSTRS)



# Special Education—Base Rates

- For the 2020–21 fiscal year, the Budget proposes to use the \$645 million from the 2019–20 State Budget to add to the existing Assembly Bill (AB) 602 base funding for a new special education base formula that uses a three-year rolling average of LEA ADA (but still allocated to SELPAs)
  - While future formula discussions may include other factors, this formula is strictly based on a statewide per-ADA amount
    - With the information currently available, we estimate this would equal between \$640 and \$680 per ADA
  - Most LEAs will see an increase in base funding
  - The proposed repeal of AB 602's base formula would also eliminate the approximate \$65 million special education deficit





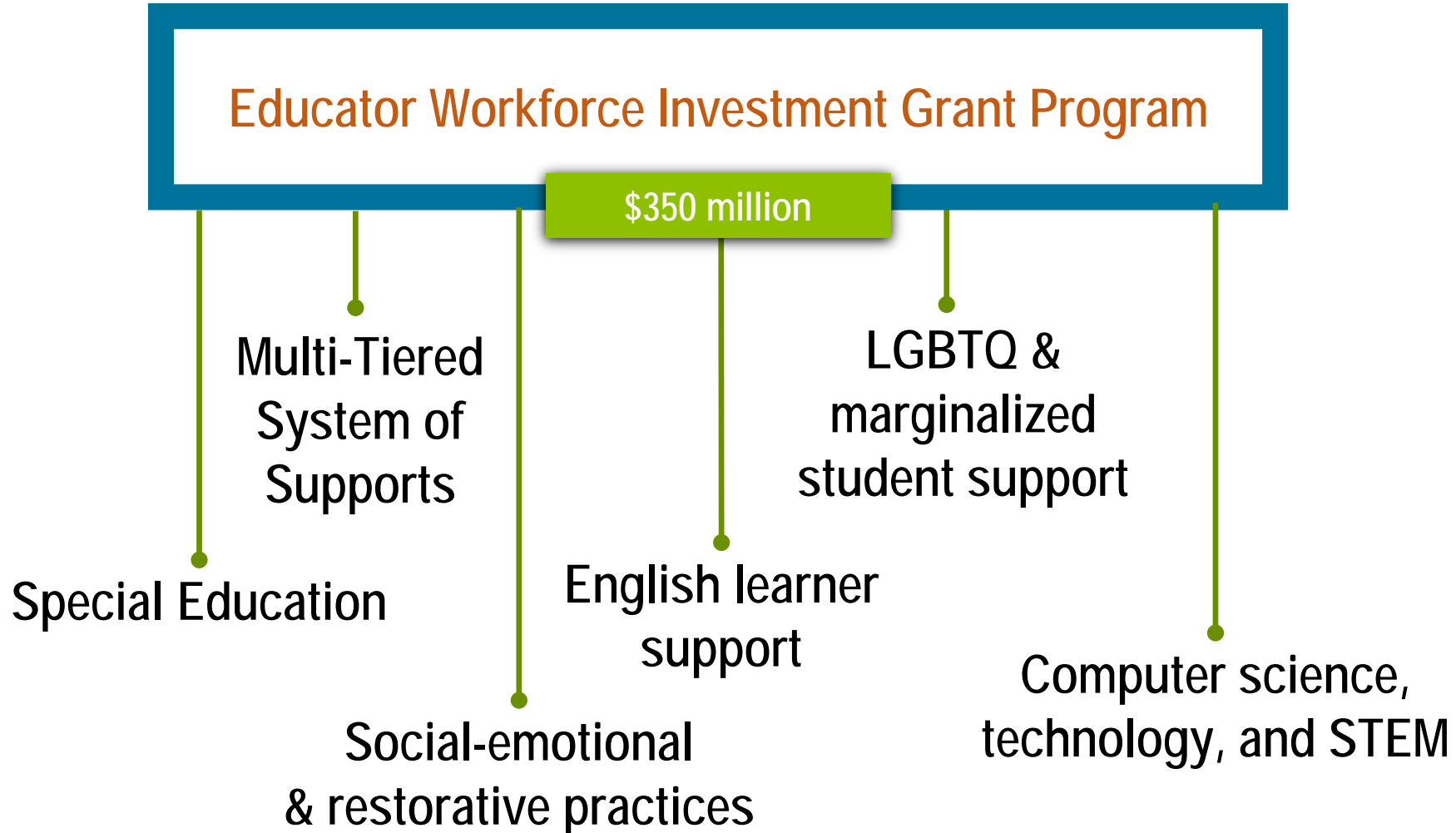
# Special Education—Funding Based on Preschoolers with Disabilities

- Like the 2019–20 State Budget, Governor Newsom proposes to provide funding to school districts based on the three-, four-, and five-year-old preschoolers with disabilities that they serve
  - The 2020–21 allocation of \$250 million would be one time
    - Based on the latest data, we would estimate the per-pupil rate at \$4,570
- Unlike the 2019-20 State Budget, the Administration specifies that districts will be required to allocate these funds to increase or improve services
  - In the current year, while the dollars were apportioned based on pupil count, they were not required to be used for any specific purpose





# Addressing California's Educator Shortage





# Community Schools

- \$300 million to establish competitive Community School grants for LEAs that support innovative community school models

Student wrap-around services, including mental health, social services, early screening and intervention for learning and other needs

Professional development in student mental and behavioral health, trauma-informed care, social-emotional learning, restorative justice, and other key areas

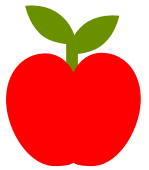


Increased family and community engagement, such as home visits and school climate surveys

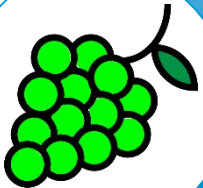
Extended learning time and expanded learning opportunities



# School Nutrition



Increases funding for school nutrition by an ongoing \$60 million



\$10 million one-time to train school food service workers to promote healthier and more nutritious meals



New Farm to School Grant Program housed in the Department of Food and Agriculture to support California farmers and expand healthy food access



# Mandated Block Grant

- All school districts, charter schools, and COEs are eligible to participate in the Mandate Block Grant (MBG), notwithstanding the applicability of state mandates on their operations
- The rates for 2020–21, inclusive of the 2.29% COLA, are as follows:

Grade Span	School Districts	Charter Schools	COEs
K–8	\$32.92	\$17.25	\$34.02
9–12	\$63.36	\$47.94	\$64.46

- The Governor’s Budget makes no changes to the mandates recognized for funding under MBG





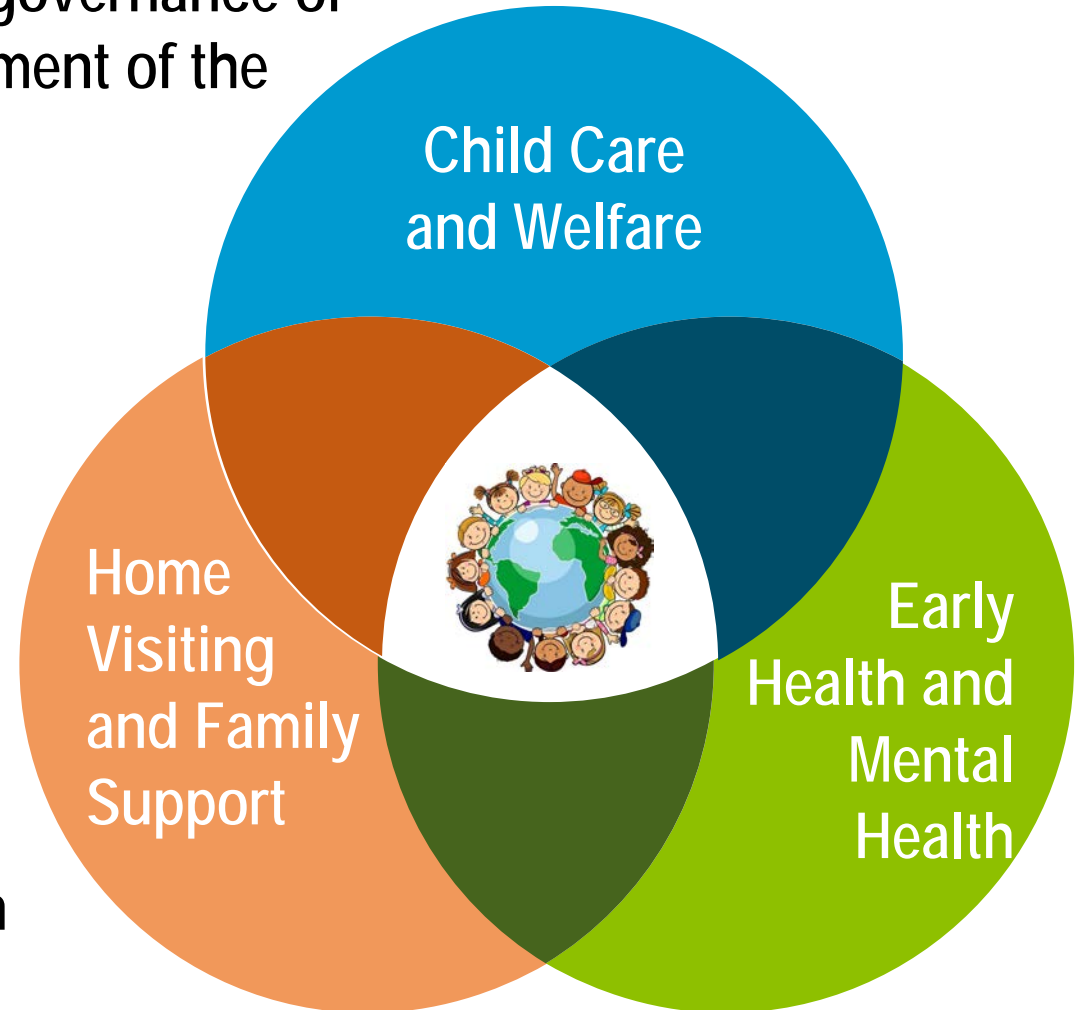


# Early Care and Education

- The Governor's Budget proposes a major shift in the governance of child care and preschool programs with the establishment of the Department of Early Childhood Development

## Whole Child, Whole Family

- Within the California Health & Human Services Agency, effective July 1, 2021
- To improve program integration and coordination to promote high-quality, affordable care
- To consolidate child care funding streams and programs
- Partnerships with Department of Education, which will retain administration of State Preschool





# What's Not in the Budget?

~~Increased LCFF Targets~~

~~Payments to Reduce CalSTRS and CalPERS Costs~~

~~One-Time Discretionary Grants~~





# The 30,000 View of MDUSD

Our reality includes:

- Structural budget deficit
- Significant depletion of our reserves
- Declining enrollment
- Tentative agreement coming forward with MDEA, implications for other bargaining groups

Next Steps

- Complete enrollment projections and identify staffing implications
- Staff and community survey for input on programs and service reductions as well as funding priorities
- Identify significant budget reductions across the district in all departments
- Communicate reductions to staff and community
- Board resolution for layoffs





# Board Discussion

