

**Burbank Unified School District  
Administrative Services**

**REPORT TO THE BOARD**

TO: Members of the Board of Education

FROM: Debbie Kukta, Assistant Superintendent, Administrative Services

PREPARED BY: Debbie Kukta, Assistant Superintendent, Administrative Services

SUBMITTED BY: Ruthie DiFonzo, Senior Administrative Assistant

DATE: February 6, 2020

SUBJECT: Report on the Governor's Budget Proposal for 2020-2021

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**Background:**

School Services of California (SSC) hosts an annual Governor's Budget Workshop which focuses on major policy issues and funding proposals from the Governor and the Legislature.

**Discussion/Issues:**

This years' Governor's Budget Workshop was held on January 15, 2020. The workshop focused on the major policy issues and funding proposals of the Governor, and provided detail for Local Education Agencies (LEAs) to project its revenues for 2020–21, and for the balance of 2019–20, in accordance with the Administration's Budget recommendations and fiscal assumptions. The workshop also offered SSC's insights and advice on what LEAs should do now to prepare for the upcoming year.

**Financial Impact:**

None.

**Recommendations:**

Debbie Kukta, Assistant Superintendent, Administrative Services, will facilitate a presentation on the Governor's Budget Proposal for 2020-2021, as presented.



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





# The California Economy



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- 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



## 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%                 |

- Average unrestricted net ending balance is based on ending fund balance for the General Fund, plus the ending balance for Fund 17 (Special Reserve Fund for Other Than Capital Outlay) as a percentage of total General Fund (including restricted programs) expenditures, transfers, and other uses



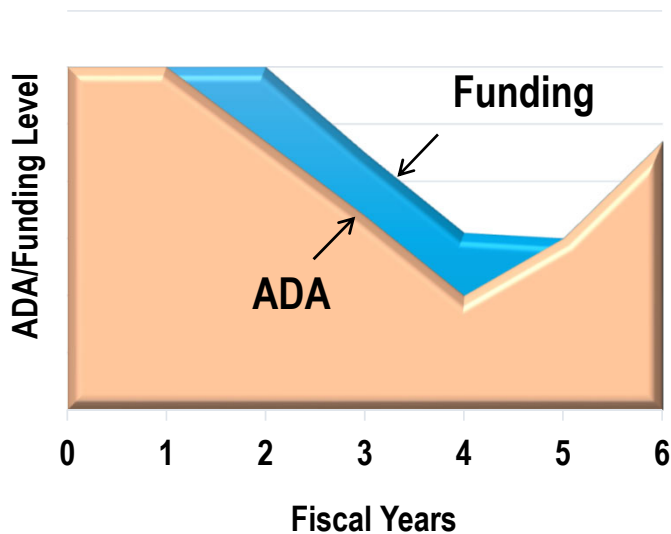
# Declining Enrollment

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## Impact of ADA Decline

Example:



- Declining enrollment funding only delays—it doesn't relieve—the need for budget reductions
- Compensation increases will be lost in years of decline unless there are budget reductions greater than the revenue loss
- A budgeting crisis will also occur at the turnaround: more students, no more dollars



## 2020–21 Local Control Funding Formula



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- 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



## 2020–21 LCFF Funding Factors -- and what this means for Burbank Unified



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### Burbank Unified School District -- 2020–21

| 2020–21 LCFF<br>Per-ADA Funding | Projected<br>2020–21 ADA | Projected 2020–21 LCFF<br>Total Revenue |
|---------------------------------|--------------------------|---|
| \$ 9,719.12                     | 14,585.40                | \$ 141,757,211.00                       |

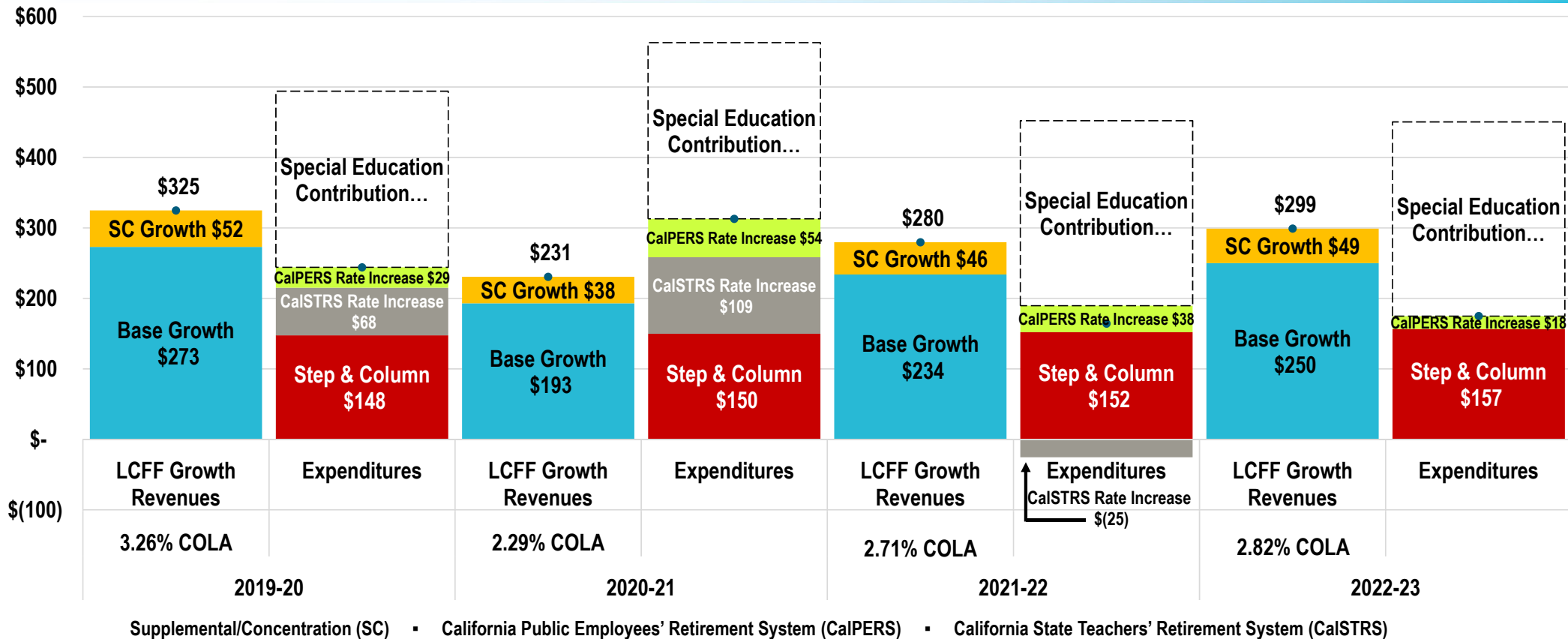
NOTE: The extension for the Projected 2020-21 LCFF Total Revenue figure is off slightly due to rounding; the figure of \$141,757,211 is taken directly from the Los Angeles County Office of Education's LCFF calculator



# Per-ADA Growth in Revenues and Expenditures

NOTE: These are averages provided by School Services for demonstration purposes.

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# **The Four Horsemen of the Apocalypse**





## What's Not in the Budget?

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**Increased  
LCFF Targets**

**Payments to  
Reduce  
CalSTRS and  
CalPERS Costs**

**One-Time  
Discretionary  
Grants**



## 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
    - Approximately 100 LEAs with base rates higher than the proposed base rate will be held harmless
      - It is unknown whether these hold harmless LEAs will receive a COLA
  - 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**



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- 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 increased or improved 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

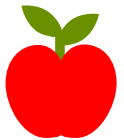


# School Nutrition



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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



## Some Key Takeaways...



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- Revenues are not keeping pace with expenditures locally
  - Special Ed is the wild card
- Districts may find it difficult to operate core programs at current funding levels
- Governor Newsom is making his mark and distinguishing himself in his proposed 2020–21 State Budget
  - While respecting former Governor Brown’s education reform by maintaining the LCFF at “full funding” through providing the COLA, he is creating and maintaining several one-time education programs under his watch
    - And while many of these programs are intended to improve LEA operations over the long term, Governor Newsom provides minimal, immediate relief from the myriad cost pressures that LEAs face





# Appendix



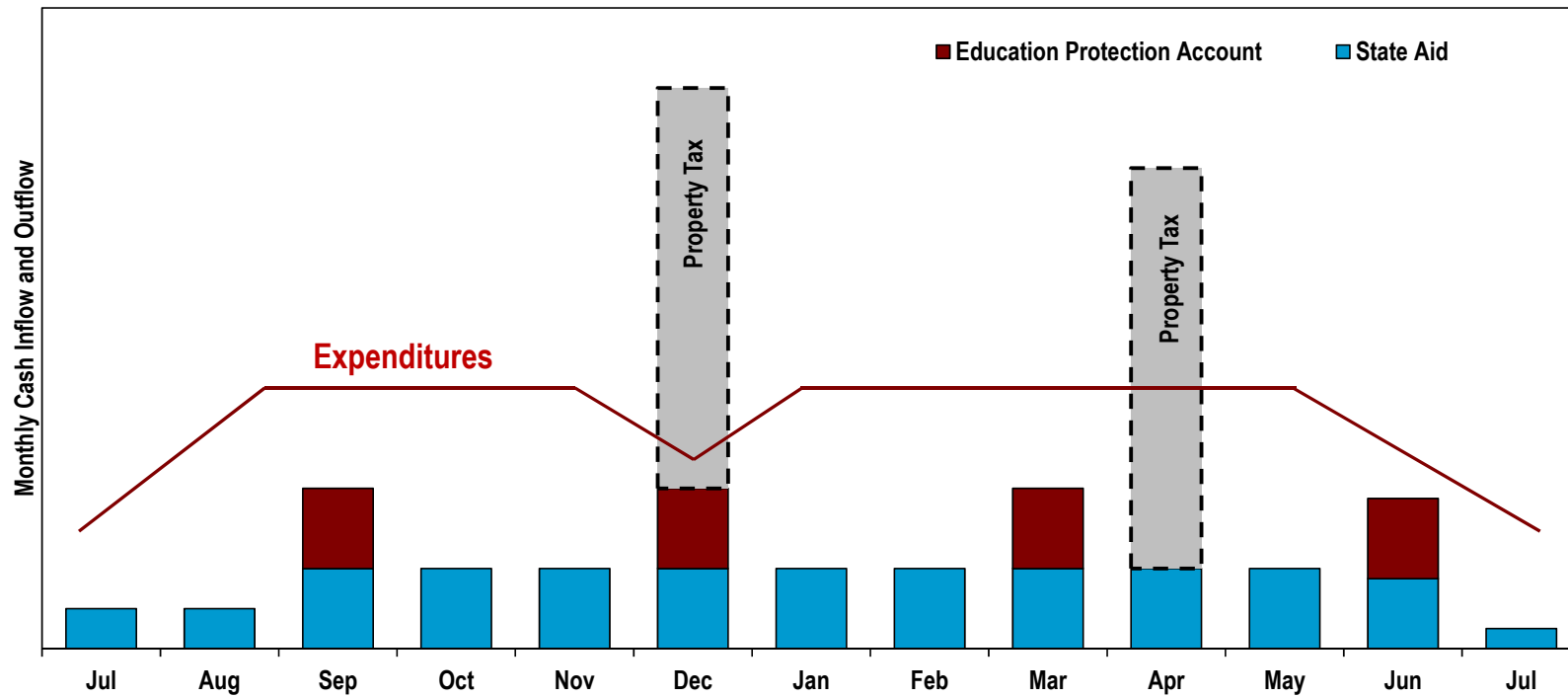


# Maintain Reserves for Cash Flow



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## 2020–21 LCFF Funding Factors



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- 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 | 2020–21 Base Grant per ADA | GSA   | 2020–21 Adjusted Base Grant |
|------------|----------------------------|-------|-----------------------------|
| K–3        | \$7,878                    | \$819 | \$8,697                     |
| 4–6        | \$7,997                    | –     | \$7,997                     |
| 7–8        | \$8,234                    | –     | \$8,234                     |
| 9–12       | \$9,543                    | \$248 | \$9,791                     |



# Addressing California's Educator Shortage



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- Governor Newsom highlighted that the most impactful way of improving student achievement is by improving the skills and abilities of educators who interact with them every day
- He supports this belief by proposing a \$900 million one-time Proposition 98 investment in the educator workforce
  - Professional development
  - Recruitment and retention
  - Preparation, including expanding the Classified School Employees Credentialing Program by \$64.1 million



# Early Care and Education



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- 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

