



2020-21 FINAL BUDGET BRIEF

No LCFF Cuts, But Extensive Payment Deferrals in Final Agreement

State Budget Overview

On June 29, 2020 Governor Gavin Newsom signed the 2020 Budget Act and the implementing Trailer Bill legislation. The budget is a \$202.1 billion spending plan that closes a \$54.3 billion budget shortfall caused by the COVID-19 recession. The 2020-21 State Budget is included in [Senate Bill 74](#) and the implementing Education Budget trailer Bill is [Senate Bill 98](#). A full Budget Summary can be found on the [Department of Finance website](#).

According to the Department of Finance, “at the Governor's Budget in January, the state was projecting a surplus of \$5.6 billion. At the May Revision, the state confronted a budget deficit of \$54.3 billion—a four-month swing of \$60 billion caused by the COVID-19 Recession. The budget closes this gap and brings the state’s resources and spending into balance while preserving reserves for future years.”

The final Budget Act uses several approaches to close the significant funding gap, including:

- \$8.8 billion in spending from state reserves.
- \$11.1 billion in reductions and deferrals, including \$6.6 billion in deferred spending on schools.
- \$10.1 billion in new federal funds for further General Fund relief, including \$8.1 billion already received.
- \$4.4 billion in new revenues through a temporary suspension of business incentive tax credits for businesses operating at net losses.
- \$9.3 billion in special fund borrowing and transfers.
- \$10.6 billion saving from cancelling planned program expansions, updated budget assumptions and other solutions.

K-12 Education

The budget includes total funding of \$98.8 billion (\$48.1 billion General Fund and \$50.7 billion other funds) for all K-12 education programs. Due to declining revenue, the constitutional Proposition 98 guarantee level for 2020-21 is \$70.9 billion- more than \$10 billion below the minimum guarantee at the 2019 Budget Act. However, the budget offsets this loss by deferring \$12.9 billion in payments into the next fiscal year to preserve programs and includes \$5.3 billion to mitigate learning loss and support the immediate needs of students and schools. The state has also committed to purchasing personal protective equipment and other supplies needed to reopen schools safely. Other highlights for K-12 and charter schools, discussed in more detail through this Brief, include:



- Funding for the Local Control Funding Formula (LCFF) at the 2019-20 rates but imposing deferrals of nearly \$13 billion in state apportionment payment to schools to achieve this.
- A “hold-harmless” in the 2020-21 fiscal year that funds average daily attendance based on the 2019-20 year, except for new charter schools commencing instruction in 2020-21. (Some accommodation for growing schools and districts is expected to be addressed in the coming weeks.)
- Suspension of traditional ADA accounting for 2020-21, with new rules and procedures on tracking student engagement and reopening schools safely.
- \$5.3 billion in funds to site-based schools to support COVID-related learning loss and provide program supports.
- No Cost of Living Adjustment (COLA) for LCFF or other categorical programs.
- An increase in special education per pupil base rates to \$625 pursuant to a new funding formula.
- No cut to total funding for the SB 740 Charter School Facility Grant Program, retaining total funding at \$137 million.
- A redirection of \$2.3 billion designated for long-term unfunded pension liabilities to reduce Local Educational Agency (LEA) employer contribution rates in the next two years.
- A material revision exemption for site-based charter schools offering distance learning and for new and growing charter schools that choose to delay.
- Limitations on layoffs of teachers and specified classified employees for school districts. However, this provision does not apply to charter schools.

Proposition 98

The provisions of Proposition 98 (1988) establish a minimum funding guarantee for TK through community college education based on complex calculations and interactions of a number of economic and demographic variables. TK-12 education receives approximately 89 percent of Proposition 98 guarantee, with the remainder allocated to community colleges.

Proposition 98 Adjustments for the 2019-20: For 2019-20, the guarantee has decreased about \$3.89 billion compared to the Governor’s January proposal. However, due to several adjustments such as one-time reserves, recapture of unspent funds, and a significant payment deferral from June to July 2020, the budget does not require any operational cuts for the 2019-20 year.

Proposition 98 Funding for 2020-21: The Proposition 98 guarantee in 2020-21 is \$70.89 billion. This is a decrease of about \$13.16 billion from the January estimate. The budget uses several tools such as apportionment deferrals, elimination of COLA and backfill of federal and other funds to partially offset this significant reduction. As a result, LCFF rates will stay flat compared to current year funding with no cut nor COLA provided. These adjustments are discussed in more detail below.

Proposition 98 Guarantee: 2020-21 Final Budget Act (Dollars in Billions)			
Total Prop. 98	2018-19	2019-20	2020-21
January 2020 Estimate	78.45	81.57	84.05
Final Budget Act	78.52	77.68	70.89
Difference	0.07	-3.89	-13.16



Local Control Funding Formula (LCFF)

The Final Budget Act retains the LCFF rates at the 2019-20 fiscal year levels, avoiding the cuts that had been proposed in May, but suspending any COLA. The budget does not propose any other significant changes or adjustments to the LCFF and the basic architecture of the LCFF remains as originally enacted. However, due to significant apportionment deferrals and the cap on school growth (discussed on pages 4 and 6), school must plan carefully for the fiscal year.

The LCFF provides a base target per-pupil rate for grade level span (TK-3, 4-6, 7-8 and 9-12) and additional grade span adjustments for K-3 and high school average daily attendance (ADA). Each pupil who is identified as an English Learner, or who is eligible for free or reduced priced meals (FRPM), or who is a foster youth, generates an additional supplement. Finally, in addition to the base and supplemental grant, districts and charter schools receive an additional weighted grant if they have a high concentration of high-needs pupils overall.

Below are the estimated rates, supplements and multipliers under the LCFF for 2020-21. Actual funding to be received by each school will vary depending on the pupil population.

LCFF Funding Element	LCFF Amounts for 2020-21
Grade TK-3 Base	\$7,702
Grade K-3 Grade Span Adjustment	\$ 801 (10.4% of K-3 target)
Grade 4-6 Base	\$7,818
Grade 7-8 Base	\$8,050
Grade 9-12 Base	\$9,329
Grade 9-12 Grade Span Adjustment	\$ 243 (2.6% of 9-12 target)
Supplement per unduplicated Free or Reduced Priced Meal Eligible Pupil, English Learner or Foster Youth	20% of average base and add-on funding per eligible ADA
Concentration Supplement per pupil above 55% of the lesser of total district or charter percent high need	50% of average base and add-on funding per eligible ADA above 55%

LCFF Tools: The information above provides a brief overview of the LCFF and the estimated component rates for 2020-21. However, an additional tool available is an LCFF calculator developed by the state Fiscal Crisis and Management Assistance Team (FCMAT) to assist schools in estimating LCFF funding. The [FCMAT LCFF Resources page](#) includes the downloadable LCFF calculator. FCMAT has also provided a [Guide for Budget Planning](#) under different scenarios in uncertain times.

In building budgets, charter schools should also include non-LCFF funding sources in their budget planning, such as federal funds, special education funds, the mandate block grant, facility grants, and any other funding the school may receive.

K-12 Education Funding Details

Apportionment Deferrals: The Final Budget Act initiates significant school payment deferrals in the 2019-20, and through 2020-21 fiscal years with an additional deferral from June 2021 into July of 2021 (the 2021-22 fiscal year). These deferrals are necessary to avoid deeper cuts, but also create significant cash flow challenges for many charter schools and school districts. The budget also provides a process for LEAs to request a needs-based exemption to the 2021 deferrals through a process of documenting a



hardship to the LEA. The exemption process was originally initiated in 2010, during the Great Recession, to assist schools with significant cash flow challenges caused by deferrals. Details on the deferral exemption process are found in Education Code Section 14041.8, which requires an application by January 5, 2021.

The following table provides the schedule of apportionment deferrals of state aid payments:

Regularly Scheduled State Payment Date	Date Deferred Payment will be Received	Amount of State Payment Deferred
2020: June	2020: July*	\$4.32 B
2021: February	2021: November	\$1.54 B
March	October	\$2.38 B
April	September	\$2.38 B
May	August	\$2.38 B
June	July*	\$4.23 B

*Deferral crosses fiscal years.

Schools will need to determine the specific impact of these deferrals based on each school’s balance of state aid payments and local taxes. EdSource recently published an informative [overview of state deferrals that you can read here](#). The deferrals do not apply to the local in-lieu property tax payments received by charter schools from school districts which should still be paid on the monthly schedule. Therefore, the total amount of state-aid deferrals will be different depending on the local offset. Further, the Budget Act contains a trigger to reduce deferrals if additional federal aid becomes available, but it is still unknown whether or to what degree deferrals may be reduced.

Schools should be evaluating their needs and options for borrowing to cover cashflow during these extensive payment deferrals. In addition to the hardship waivers noted above, other options may include accessing an existing line of credit (or establishing one), borrowing from the county treasury, or participating in Revenue Anticipation Notes through the school district or county office of education. CCSA is also working with the California School Finance Authority and the lender community to establish lower cost opportunities to support charter schools that may need to access short-term loans to level their cash flow during this time. We will keep you posted as these options develop.

COVID Relief: The budget includes a one-time investment of \$5.3 billion in mostly federal relief funds to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures. Specifically, funds will be allocated in the following manner:

- \$2.9 billion based on the LCFF supplemental and concentration grant allocation as of the 2019-20 second principal apportionment certification (P-2). Nonclassroom-based charter schools are not eligible for these funds. Funds must be used from March 1, 2020 to December 30, 2020.
- \$1.5 billion based on number of students with exceptional needs ages 3-22 as determined by the 2019-20 Fall 1 Census special education data. Nonclassroom-based charter schools are not eligible for these funds. Funds must be used from March 13, 2020 to September 30, 2020.



- \$979.8 million based on total LCFF allocation. The allocation of these funds would include classroom-based and nonclassroom-based charter schools as of 2019-20 P-2. Funds must be used from March 1, 2020 to December 30, 2020.

Funds may be used for a wide range of learning supports that may begin prior to the start of the school year and continuing into the school year such as, increasing instructional time, providing additional academic services or assessments, acquiring instructional materials, supports, or devices or providing support services such as health, counseling or mental health services, meal access or professional development.

Charter School Facility Grants: The SB 740 Facility Grant Program provides partial cost reimbursement to eligible charter schools in leased space. As proposed in May, the Final Budget Act rescinds the program COLA that was proposed in January but retains funding for the program at the 2019-20 level of about \$137 million. Proposed COLAs have been suspended for virtually all categorical programs. However, we note that this program is currently over-subscribed, meaning that schools will get less than their full funding. In April, the California School Finance Authority reported that they project that for 2019-20, rent and lease costs will be pro-rated, and schools will receive approximately 95 percent of eligible awards and that the “Other Costs” category will not be funded. We expect further reductions in grant awards in 2020-21. More program information can be found at the [CSFA website](#).

Special Education: In January, the Governor’s Budget proposed a multi-year process to improve special education finance services and outcomes. The Final Budget Act retains the basic commitment to increase base rates for lower funded LEAs and apply a three-year rolling average of ADA for determining base grants, allocated through the Special Education Local Plan Areas (SELPA). However, the base rate is adjusted to \$625 per ADA in 2020-21. LEAs funded below target rate will receive the increase, but those at or above will not see an increase in their per pupil rate. The budget also includes \$100 million to increase funding for students with low-incidence disabilities.

Federal IDEA funds in the budget include \$15 million in for the Golden State Teachers Scholarship program for the special education teacher pipeline, \$8.6 million to develop alternative dispute resolution processes for cases that arise as a result of challenges faced during the pandemic, and \$1.1 million for a study of the current special education governance and accountability structures.

CalSTRS and CalPERS Pension Relief: For schools and districts that participate in state pension programs, the Final Budget Act provides a fund shift of \$2.3 billion that had previously been allocated to the retirement systems to reduce the long-term unfunded liability. The funds will instead be used for a direct reduction in employer contribution rates. For 2020-21, the CalPERS employer rate is reduced from 22.67 to 20.7 percent and the CalSTRS rate is reduced from 18.41 to 16.15 percent. For 2021-22 the budget reduces the CalPERS employer rate from 24.6 to 22.84 percent, and the CalSTRS rate from 17.9 to 16.02 percent.

Education Trailer Bill

The budget is typically accompanied by supplemental implementing legislation known as Trailer Bills. This year, the Education Trailer Bill ([Senate Bill 98](#)) provides the detail on a number of proposals included in the budget, such as the apportionment deferrals, deferral exemptions, and allocation of the



new federal relief funds noted above. It also includes new requirements for schools to re-start and accommodate Distance Learning as needed, and other clarifications.

School Restarts, Learning Plans and Attendance Reporting for 2020-21: To help minimize additional learning loss related to COVID-19, and accommodate dynamic circumstances in school operations, the budget contains flexibility to provide distance learning as may be necessary and suspends traditional attendance accounting. The Education Trailer Bill contains requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education. The details of [these new requirements and flexibilities can be found here](#). Highlights include:

- For the 2020-21 fiscal year, average daily attendance (ADA) shall be based on the 2019-20 year at P-2, except for new charter schools commencing instruction in 2020-21, which will receive a proxy for ADA based on their October enrollment report.
- No Growth funding is provided to growing districts and charter schools. However, the Governor provided a special signing message to SB 98 that noted:
“While maintaining school funding at current levels allows for stability in the public education system, it does not take into account schools that had planned expansions. By not funding those expansions, families enrolled in those schools may be displaced, with impacts exacerbated by the uncertainties caused by COVID-19. I urge members of the Legislature to pursue targeted solutions to these potential disruptions, and will work with you in the coming weeks to enact them.”

Accommodating funding for charter growth is CCSA’s top priority and we will work with the Governor’s team and the Legislature to address the cap on growth funding in the coming weeks.

- LEAs are exempt from the annual minimum instructional minute requirement. However, minimum instructional day requirements and reduced minimum daily instructional minutes apply (3 hours per day for kindergartners, 3 hours, 50 minutes for grades 1-3 and 4 hours for grades 4-12).
- The time requirements may be met through a combination of in-person and distance learning instruction, using a “time value of work” assessment similar to independent study programs.
- Distance learning attendance requirements include documentation of daily student participation, weekly engagement records, and attendance reporting for purposes of chronic absenteeism tracking and intervention.
- Access to devices and connectivity, daily interaction with students and access to nutrition programs are required for students in distance learning.
- Fiscal penalties may apply to local educational agencies offering distance learning that do not meet requirements.
- A material revision exemption for site-based charter schools offering distance learning, and an exemption for schools that may trigger the threshold of being identified as “nonclassroom-based” for purpose of requiring a funding determination, are provided.

In order to ensure transparency around the expenditures of new federal funds, and in alignment with new flexibilities related to distance learning, the budget replaces the December local control and accountability plan (LCAP) with a Learning Continuity and Attendance Plan, to be completed by September 30, 2020 based on stakeholder input in accordance with a template developed by the State Superintendent of Public Instruction (SPI) by August 1, 2020. The plan will require LEAs to address issues such as distance learning, learning loss, mental health, professional development, student engagement and nutrition.

Other Trailer Bill Issues: The Trailer Bill also includes several policies and clarifications that offer some flexibility for LEAs to help mitigate the impact of funding cuts or impose new requirements or restrictions. Some of these provisions include:

- Clarity on the allocation of funding for charter schools that restructure due to AB 1505 or 1507.
- Amendments to charter renewal criteria to address missing data due to testing and Dashboard suspension in 2019-20.
- Allowance for charter schools to delay opening or adding grades in 2020-21 without a material revision by notifying their authorizer, CDE and affected families by July 17.
- Extension of timelines for various teacher credentialing requirements for new teachers in the pipeline affected by school closures.
 - Extends validity of credentialing examination scores for one year.
 - Extends credentialing application fee timelines for 120 days.
 - Reduces field practice requirements for pupil personnel services credential for one year.
 - Extends transitional kindergarten teacher early childhood education credit requirement by one year.
- Extension of the 2019-20 audit submittal to March 31, 2021.
- Flexibilities for districts on allowable cross-fund transfers and interfund loans.
- Allowance for districts to use proceeds of surplus property sales for one-time needs.
- Specified prohibitions on school district layoffs of teachers and some classified employees. (These prohibitions do not apply to charter schools.)

Budget Facts and Figures

Cost of Living Adjustment (COLA): The education COLA for 2020-21 was estimated at 2.31 percent. However, the budget suspends the application of the COLA for virtually all programs including LCFF, special education, nutrition, mandate block grant and the Charter School Facility Grant Program. The Department of Finance has projected the following COLA estimates for future years, which may assist in long term budget planning:

Year	Estimated COLA
2018-19	3.70%
2019-20	3.26%
2020-21	0.00%*
2021-22	2.48%
2022-23	3.26%

* The statutory COLA for 2020-21 was estimated to be 2.31 percent, but it was not funded.

K-12 Average Daily Attendance (ADA): Department of Finance’s statewide K-12 ADA projections are provided in the following table:

Year	Estimated K-12 ADA	Change from Previous Year
2018-19	5,922,164	-0.64%
2019-20	5,895,591	-0.45%
2020-21	5,858,752	-0.62%



Minimum Wage Increase: Another issue that schools should consider in longer range budget planning is the increase in the minimum wage over the next few years to reach \$15.00 per hour. Despite the fiscal crisis, the budget did not offer any delay of the scheduled minimum wage increases. The state minimum wage increase also may affect the minimum salary for non-hourly, exempt staff. Schools will need to plan for both the wage and salary increases, and related benefits for minimum wage employees and other impacts of these increases. Some local jurisdictions may have increases not reflected here, so schools should also monitor any local action on minimum wage. The following table shows the increase in the minimum wage under state law.

Year	Minimum Wage for Employers with less than 26 Employees	Minimum Wage for Employers with 26 or more Employees
January 1, 2020	\$12.00	\$13.00
January 1, 2021	\$13.00	\$14.00
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00

Additional Considerations

The considerable uncertainty caused by the COVID pandemic and the associated fiscal crisis will require close attention to several issues that may affect the budget during the year.

- Delayed tax receipts will be reported later in July. If tax payments are even lower than anticipated, further reductions could be required.
- Further support from the federal government is uncertain. The budget contains some restorations, particularly with school deferrals, if the Congress provides significant new funds for California.
- Finally, we all know that school operations, services and finances will be volatile as we accommodate the health circumstances in each of our communities and throughout the state.

CCSA will do everything we can to support you through this time, and keep you updated as circumstances change. We thank you all for the work you do every day!