

The 2021-22 Budget: Overview of May Revision K-12 Education Proposals



LEGISLATIVE ANALYST'S OFFICE

Changes to Proposition 98 Funding Since January

- ▶ **Estimates of the Minimum Guarantee Up \$17.7 Billion Over the Budget Period**
 - Higher guarantee reflects significant General fund revenue increases.
 - General Fund revenue estimates seem reasonable.

- ▶ **Governor Proposes Eliminating \$2.3 Billion Supplemental Payment in 2021-22**

- ▶ **Overall Increase in Proposition 98 Funding Is \$15.4 Billion**
 - Total increase compared with June 2020 estimates is more than \$40 billion.

<i>(In Millions)</i>				
	2019-20	2020-21	2021-22	Three Year Totals
Governor's Budget				
General Fund	\$54,470	\$56,942	\$60,835	\$172,247
Local property tax	25,073	25,887	27,270	78,230
Totals	\$79,544	\$82,828	\$88,105	\$250,477
May Revision				
General Fund	\$54,483	\$67,077	\$66,374	\$187,933
Local property tax	24,846	25,745	27,365	77,956
Totals	\$79,329	\$92,822	\$93,738	\$265,889
Change				
General Fund	\$12	\$10,135	\$5,538	\$15,686
Local property tax	-227	-142	95	-274
Totals	-\$215	\$9,993	\$5,633	\$15,412



Update on Proposition 98 Reserve Deposit

► Required Proposition 98 Reserve Deposit Up \$1.6 Billion

- The State Constitution requires reserve deposits when (1) the minimum guarantee is growing more quickly than per capita personal income and student attendance, (2) the state receives an above-average amount of capital gains revenue, and (3) certain other conditions are met.
- The Governor's budget estimated the state would be required to deposit \$3 billion into the reserve across 2020-21 and 2021-22.
- The May Revision estimates the required deposit has increased to \$4.6 billion, largely due to higher estimates of capital gains revenue.

► School District Reserve Cap Operative in 2022-23

- A state law caps school district reserves the year after the balance in the Proposition 98 Reserve exceeds 3 percent of the funding allocated for schools.
- The state would reach this threshold in 2021-22, making the cap apply in 2022-23.
- The cap is 10 percent of a school district's annual expenditures.
 - Districts with 2,500 or fewer students are exempt.
 - Larger districts could respond by seeking exemptions, reclassifying their reserves, or spending down their reserves.



Proposition 98 Funding by Segment

	Governor's Budget	May Revision	Change
2019-20 Revised			
K-12 Education			
Total funding (in millions)	\$70,230	\$70,039	-\$191
Average daily attendance	5,891,369	5,896,938	5,569
Funding per student	\$11,921	\$11,877	-\$44
California Community Colleges			
Total funding (in millions)	\$9,313	\$9,290	-\$23
Full-time equivalent students	1,109,723	1,113,324	3,601
Funding per student	\$8,393	\$8,344	-\$48
Reserve Deposit (in Millions)	—	—	—
2020-21 Revised			
K-12 Education			
Total funding (in millions)	\$72,494	\$80,292	\$7,798
Average daily attendance	5,859,694	5,871,650	11,956
Funding per student	\$12,372	\$13,674	\$1,303
California Community Colleges			
Total funding (in millions)	\$9,588	\$10,546	\$957
Full-time equivalent students	1,100,046	1,097,490	-2,556
Funding per student	\$8,716	\$9,609	\$893
Reserve Deposit (in Millions)	\$747	\$1,984	\$1,238
2021-22 Proposed			
K-12 Education			
Total funding (in millions)	\$75,854	\$80,534	\$4,680
Average daily attendance	5,828,073	5,754,927	-73,146
Funding per student	\$13,015	\$13,994	\$979
California Community Colleges			
Total funding (in millions)	\$10,011	\$10,587	\$576
Full-time equivalent students	1,107,695	1,104,666	-3,029
Funding per student	\$9,038	\$9,584	\$546
Reserve Deposit (in Millions)	\$2,241	\$2,617	\$376



Overview of K-12 Spending Package

► **May Revision Contains \$30 Billion in Total K-12 Proposition 98 Spending Proposals**

- Consists of \$17.3 billion in spending proposals from the Governor's budget and more than \$12.6 billion related to proposals that are new in May.
- Allocates nearly \$24 billion for one-time activities and \$6 billion for ongoing augmentations.
- Compared with either last year's budget or the Governor's January budget, the May Revision reflects the largest funding increase since the adoption of Proposition 98 in 1988.

► **Local Control Funding Formula (LCFF) (Ongoing)**

- Provides \$5.4 billion for various augmentations related to LCFF, an increase of \$3.6 billion compared with the Governor's budget.
- The increase in funding reflects the following proposals:
 - An increase in the cost-of-living adjustment from 3.84 percent to 4.05 percent, based on updated federal data.
 - An additional 1 percent increase in LCFF for all districts.
 - Two augmentations for districts with relatively high shares of low-income students and English learners: (1) an increase in funding for concentration grants, and (2) a new funding stream for expanded learning (including after school programs and summer enrichment).

► **Community Schools Grant Program (One Time)**

- Provides \$3 billion to promote the community schools model, an increase of \$2.8 billion compared with the Governor's budget.
- The proposal would set aside 70 percent of the available funding to create new community schools and 30 percent for expanding and continuing existing community schools. The proposal also sets aside \$60 million for technical assistance.



Overview of K-12 Spending Package

(Continued)

▶ **Education Workforce Initiatives (One Time)**

- Provides \$2.8 billion for preparation, training, and retention activities, an increase of \$2.3 billion compared with the Governor’s budget.
- The most notable components of package include:
 - \$1.5 billion for the Educator Effectiveness Block Grant, which districts could use to fund a range of training, coaching, mentoring, and other activities for teachers, administrators, and classified staff.
 - \$550 million for teacher residency programs, which would expand or create residency programs in designated subject areas.
 - \$250 million for incentive grants that encourage teachers to obtain National Board Certification and teach or mentor in high-poverty schools.

▶ **School Reopening (One Time)**

- Provides \$2 billion for health and safety activities related to reopening schools, including testing and vaccine initiatives, enhanced cleaning, personal protective equipment, and improved ventilation.
- This allocation is separate from the \$2 billion provided to districts for health and safety activities through the early action package (AB 86, Committee on Budget).

▶ **Paying Down Deferrals (One Time)**

- Pays down \$8.4 billion in school deferrals, an increase of \$1.1 billion compared with the Governor’s budget.
- A total of \$2.6 billion would remain deferred from 2021-22 to 2022-23.



K-12 Proposition 98 Spending Proposals

<i>(In Millions)</i>			
	Governor's Budget	May Revision	Difference
LCFF Related (Ongoing)			
Compound COLA and base augmentation	\$1,991	\$3,201	\$1,210
Concentration grant increase	—	1,126	1,126
Expanded learning	—	1,000	1,000
County offices of education	10	40	30
Subtotals	(\$2,001)	(\$5,367)	(\$3,366)
Community Schools (One Time)			
	\$265	\$3,016	\$2,751
Education Workforce (One Time)			
Educator Effectiveness Block Grant	\$250	\$1,500	\$1,250
Teacher Residency Grant Program	100	550	450
National Board Certification Incentive Grant Program	—	250	250
Classified Teacher Credential Program	25	125	100
Early Math Initiative	7	74	67
Statewide strategy to diversify teacher workforce	—	66	66
Classified School Employee Summer Assistance	—	60	60
21st Century School Leadership Academies	—	25	25
Computer Science Incentive Grant	—	15	15
Professional development for reading instruction	—	10	10
Professional development for social-emotional learning	50	50	—
Training for transitional kindergarten teachers	50	50	—
Ethnic studies professional development	5	5	—
Subtotals	(\$487)	(\$2,780)	(\$2,292)
School Reopening and Learning Loss (One Time)			
School health and safety	—	\$2,000	\$2,000
Health and safety for CTE JPAs	—	86	86
In-person grants and academic support (AB 86, Committee on Budget)	\$4,557	4,557	—
In-person instruction grants (AB 86, Committee on Budget)	2,000	2,000	—
Subtotals	(\$6,557)	(\$8,644)	(\$2,086)
Deferral Pay Downs (One Time)			
	\$7,318	\$8,424	\$1,106
Other Proposals			
One time	\$274	\$1,073	\$799
Ongoing	413	657	244
Subtotals	(\$687)	(\$1,731)	(\$1,043)
Total K-12 Spending	\$17,316	\$29,961	\$12,645
LCFF = Local Control Funding Formula; COLA = cost-of-living adjustment; CTE = career technical education; and JPA = joint power authorities.			



Multiyear Plan for Transitional Kindergarten

► **Proposed Plan for Universal Transitional Kindergarten:**

- Transitional kindergarten is currently available to four-year olds whose birthdays fall on or between September 2 and December 2.
- 2022-23: eligibility expands to children born on or before March 2.
- 2023-24: eligibility expands to children born on or before June 2.
- 2024-25: eligibility expands to all four-year olds.

► **Proposal for Covering Base Costs of the Program:**

- Students would generate average daily attendance funding through LCFF. The administration estimates the LCFF cost increase would total \$2.7 billion by 2024-25.
- The state would increase (“rebench”) the Proposition 98 guarantee to cover these costs (rather than covering costs with existing growth in the guarantee).

► **Proposal for Reducing Adult-to-Child Ratios:**

- The Governor proposes to cover the cost of providing one additional certificated or classified staff person in each transitional kindergarten classroom. The administration estimates the additional costs would total \$740 million by 2024-25.
- The state would pay for these costs with existing growth in the Proposition 98 guarantee.

► **Rebenching Involves Trade-Offs With Rest of State Budget**

- Rebenching means that over time, the state would be able to spend more on Proposition 98 programs and less on non-Proposition 98 programs.
- Our understanding is that the increase to the guarantee is allowable but not constitutionally required.



Targeted Intervention (One Time)

▶ **Proposes \$2.6 Billion to Create a New Targeted Intervention Grant**

- Consists of \$2 billion from various pots of federal funding and \$623 million from Proposition 98 General Fund.
- Districts could use these funds to provide a wide range of services for students affected by the pandemic, including intensive tutoring, additional instructional time, and other supports.
- The federal portion could pay for future expenses or to reimburse expenses districts incurred after March 13, 2020. The state portion could pay for expenses incurred after July 1, 2021.
- A district's allocation would be proportional to its share of total funding under LCFF.



Overall Strengths of May Revision

- ▶ **Dedicates Funding for Some Key Legislative Priorities**
 - Expands access to after school programs.
 - Provides more funding for student support.

- ▶ **Contains a Significant One-Time Cushion**
 - Of the K-12 spending specifically attributable to 2021-22, more than \$4.2 billion is for one-time activities. Combined with the Proposition 98 reserve deposit and one-time community college activities, the total one-time cushion is nearly \$7 billion.
 - A large one-time cushion has some notable advantages:
 - If the guarantee drops, the state has a cushion to avoid cuts to ongoing programs.
 - If guarantee does not drop, the state can use the freed-up funds to provide augmentations that address emerging issues.

- ▶ **Improves Upon Transitional Kindergarten Proposal**
 - The Governor’s budget signaled support for expanding transitional kindergarten and included some one-time incentive funding, but lacked a clear implementation plan.
 - The May Revision proposes to make all four-year olds eligible for transitional kindergarten, outlines a specific implementation schedule, and addresses the one-time and ongoing costs of the proposed expansion.
 - Over the coming year, the Legislature will want to reassess the role and scope of the State Preschool Program (which currently serves many four-year olds).



Overall Concerns With May Revision

- ▶ **Concerns With Proposals for Targeted Intervention (\$2.6 Billion) and Healthy and Safety Activities (\$2 Billion)**
 - **Schools Have Already Received More Than \$30 Billion to Address Learning Loss and Improve Health and Safety**
 - Federal government has provided more than \$24 billion.
 - State has provided more than \$6 billion.
 - State and federal funds can be used to support all of the specific activities outlined in the Governor’s proposals, including targeted interventions (such as intensive tutoring) and activities to reopen schools (such as testing for the virus and improving ventilation).
 - **Proposals Would Provide Even More Funding for These Activities With No Clear Justification**
 - Districts indicate they have not spent all of the one-time funds they previously received for these activities.
 - Although districts face various challenges associated with reopening schools and making up for learning loss, these challenges do not appear to stem from a lack of funding.

- ▶ **Missed Opportunities to Improve School Budget Resiliency**
 - More than \$2.6 billion in school payments would remain deferred.
 - Does not address long-term increases in pension costs.
 - Dedicating more funding for these issues would have several advantages:
 - Would benefit students by increasing the likelihood that the programs and services districts create over the coming years with one-time state and federal funds can be sustained over time.
 - Would better prepare districts and the state to address the next economic downturn.



Comments on Proposals Targeting High-Poverty Schools and Districts

► **Concentration Grant Increase Consistent With Intent of LCFF**

- Providing additional funding to districts with higher proportions of low-income students, foster youth, and English learners helps ensure districts can increase or improve services that support student learning and well-being.
- Proposal gives districts flexibility to decide how to best address student needs.

► **Consider Trade-Offs of Restricting Increases for Expanded Learning**

- Access to summer and after school programs can provide students with additional opportunities for engaging activities outside of the school day and provide adult supervision for children with parents working traditional hours.
- Alternatively, the Legislature could consider providing funding through LCFF, but giving districts flexibility to spend funds on activities they think will best address their students' needs, which could include summer and after school programs.
- The Legislature also could target funding to other activities that would benefit students with the greatest needs, such as extending the school year, providing intensive tutoring, or other student supports.

► **Changes to Community Schools Grant Improve Upon January Proposal**

- Modifications to the structure of the program ensure funding is prioritized for creating new programs. May Revision proposal also expands technical assistance for grantees and sets clear expectations for the support schools will receive.
- The May Revision proposes a substantial increase in funding. The Legislature may want to consider providing a smaller amount of funding initially, but adding funding in future years if demand is high.



Comments on Teacher Workforce Proposals

▶ **Near-Term Capacity for New or Expanded Programs Likely Limited Post-Pandemic**

- The May Revision proposes numerous new and expanded educator workforce initiatives. However, schools may be unable to immediately implement these initiatives given potential burnout and fatigue among many school staff.
- The Legislature may want to consider focusing on a few immediate priorities to help students and staff recover from the impacts of the pandemic, and either rejecting or extending spending deadlines for other programs.

▶ **Educator Training Proposals Overlap With Federal Funding**

- Schools have received significant flexible funds from recent federal relief packages, which can be used for professional development.
- The Legislature may want to consider how the training proposals could best complement available federal funding.

▶ **Consider Requiring Clear Deliverables and Expectations for Training Proposals**

- Several May Revision proposals include few details on the deliverables and expected activities to be funded. For example:
 - The Early Math Initiative and 21st Century School Leadership Academies proposals do not specify the types of activities to be supported with additional funding.
 - The 21st Century School Leadership Academies and National Board Certification Incentive Grant proposals also lack routine reporting requirements to the Legislature.
- Establishing a clear set of deliverables and expectations for each proposal would ensure funds are spent as intended and achieve the desired outcomes.

