

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Budget Update and Federal Resources and Learning Loss Mitigation Funds

September 1, 2020

Themes and Politics

5 Themes for the 2020–21 Enacted State Budget

- Governor Gavin Newsom and the Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22
- But troubling tradeoffs were also made—tying the hands of districts that needed to make layoffs, deferring significant portions of cash, and not funding enrollment growth for local educational agencies (LEAs)
- Programmatically, the 2020–21 State Budget creates rules for distance learning, and in-person and hybrid instruction models as a condition to receive flat funding in 2020–21
 - These provisions have caused a lot of concern in the field as LEAs adapt education programs for the fall to these new rules and health guidance

6 Politics Behind the Budget

The enacted State Budget is drastically different from the Governor's May Revision

The Governor and the Legislature approached the Budget from very different perspectives—reliance on cuts vs. deferrals to balance the budget

On June 15, the Legislature adopted its version of the Budget, and negotiations between the Legislature and the Governor continued until a Budget deal was finally announced on June 22

The Legislature re-asserted its authority, after months of self-imposed recess because of the pandemic, while the Governor unilaterally acted to address the crisis

Budget Versions

2020-21 Item	January Budget	May Revised	Enacted Budget
LCFF Funding Change	+\$1.2B	-\$6.5B (10%)	\$0
2020-21 COLA	2.29%	2.31% But not funded	2.31% Suspended
CalSTRS / CalPERS	18.40% / 22.67%	16.15% / 20.70%	16.15% / 20.70%
Special Ed Base Rates	COLA + \$645	No COLA, \$645	No COLA, \$625
Categorical Programs	+\$1.4B (new programs)	-\$352.9M (existing)	No Change, Flex added
Apportionment Deferrals	\$0	\$5.3B	\$11.2B ¹

¹Subject to offsets from additional federal funding

Budget Versions

2020-21 Item	January Budget	May Revised	Enacted Budget
ESSER	\$0	\$1.48B	\$1.48B
Learning Loss (GEER)	\$0	\$355M	\$355M
Learning Loss (CRF)	\$0	\$4.4B	\$4.4B
Learning Loss (P98)	\$0	\$0	\$539M

Flexibility and Accountability

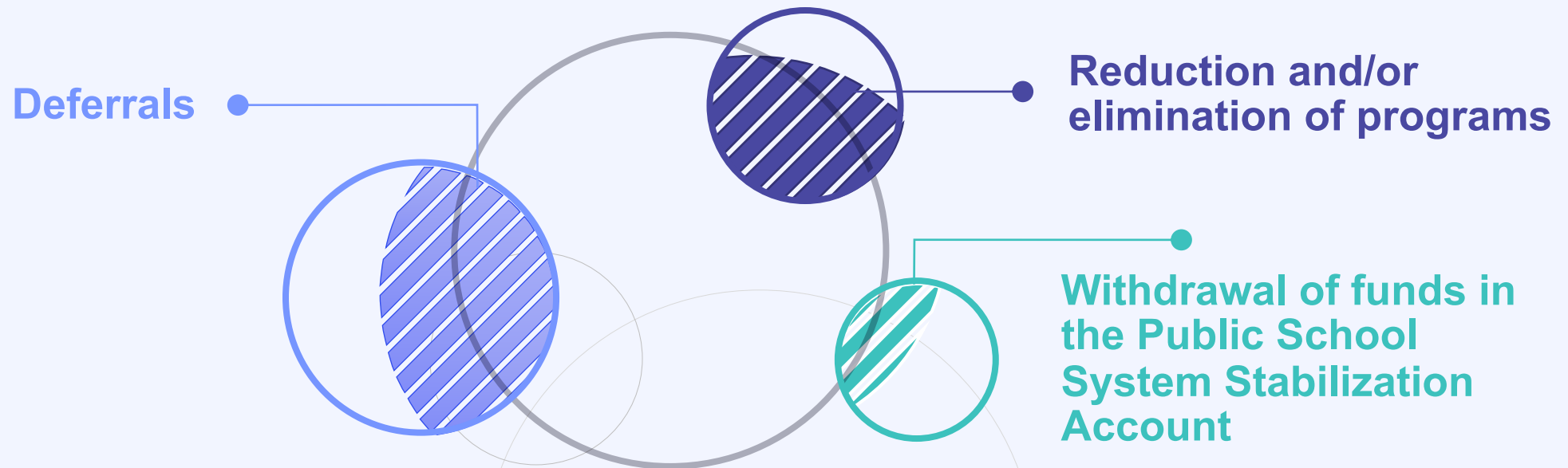
- Flexibility provided:
 - Revises routine restricted maintenance account calculation (excludes pension payments on-behalf and excludes Learning Loss Mitigation and ESSER funds)
 - Increases LEA internal borrowing limits from 75% to 85%
 - Flexible use of proceeds from sale of surplus property
 - Extends deadline for TK teachers to obtain 24 units of ECE to August 2021
 - Waives both facility and minimum time requirements for Migrant Ed

Flexibility and Accountability

- Extends the 2019-20 ADA hold harmless; 2020-21 funding based on 2019-20 ADA or “planned” growth
- Adds distance learning accountability standards and metrics, subject to audit
- Adds IEP requirements regarding distance learning
- Waives the LCAP but requires a new Learning Continuity and Attendance Plan
- Made inoperable EC that allowed certificated layoffs in August for positions not requiring an administrative credential (allowed for administrative credential)
- Prohibits classified layoffs in 2020-21 for classifications in custodial, transportation and food service

Proposition 98 Minimum Guarantee

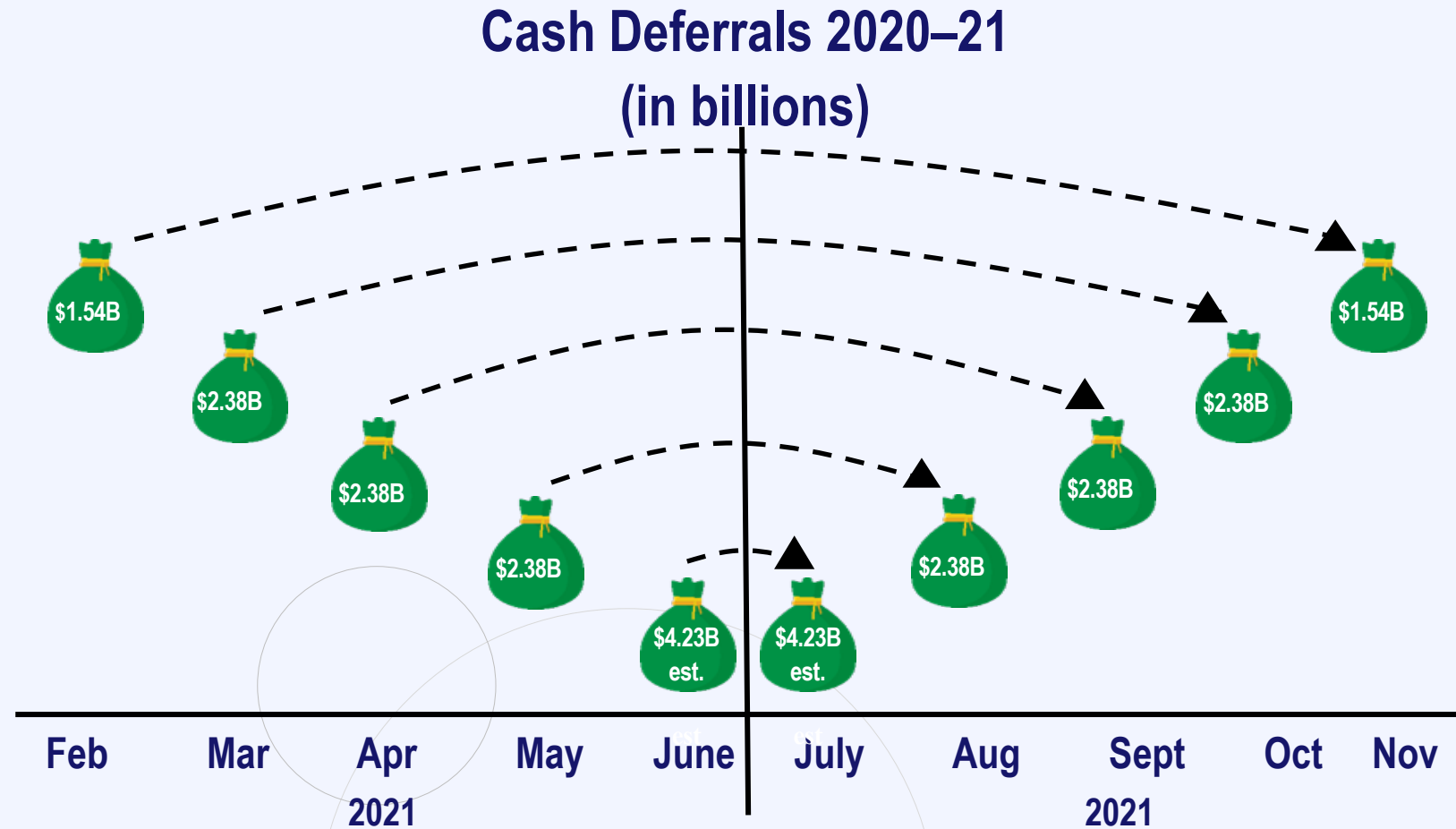
- Proposition 98 funding levels have decreased significantly in both 2019–20 and 2020–21, resulting in an almost 10% reduction over the three-year period
 - ✓ Even with significant year-over-year decrease community colleges are not experiencing significant cuts due to:



K-12 Deferrals

- The P-2 deferral is ongoing (\$1.9B)

✓ Plus, additional ongoing deferrals are implemented starting in February 2021:



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Deferrals and Cash Flow: K-12

- The effects of these cash deferrals on the typical apportionment schedule for February through June 2021 are as follows:

Month	Normal Share of Annual Apportionment ¹	Proportion Deferred	Resulting Share of Annual Apportionment
February 2021	9%	45%	5%
March 2021	9%	70%	3%
April 2021	9%	70%	3%
May 2021	9%	70%	3%
June 2021	Balance	100%	0%

- In effect, LEAs will receive only about 68% of the state aid apportionment during the year

Budget vs. Cash Flow

• Budget

- Annual
- Anticipated revenue/source, expenditures/uses and reserves
- Generally Accepted Accounting Principles regarding recognizing revenues, accruals
- 45-Day and interim report updates
- Fund specific

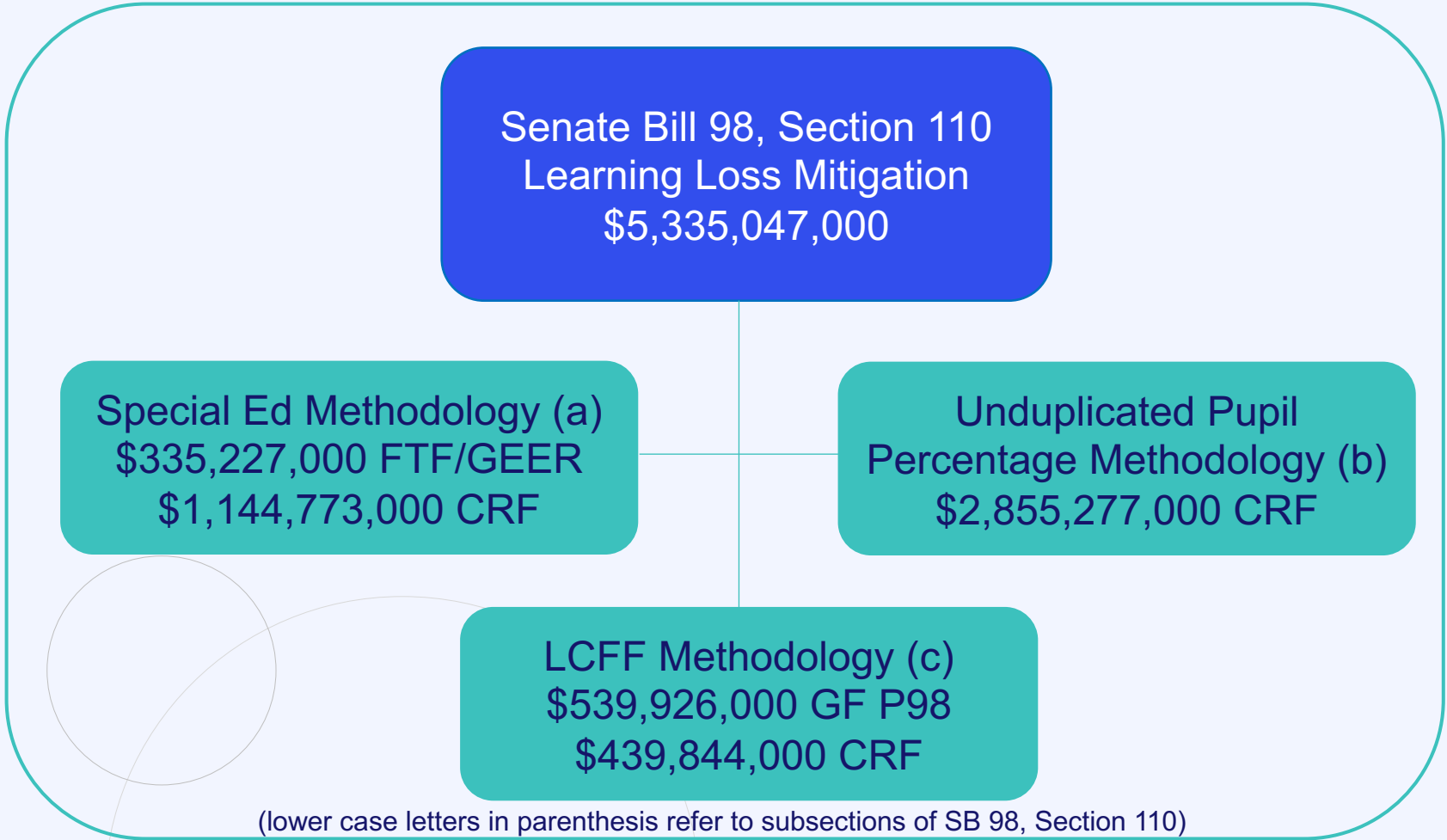
• Cash Flow

- Monthly (sometimes weekly)
- Actual receipts, disbursements and available funds in the county treasury
 - ✓ Forecast: annual data with time factors such as apportionment schedules
- Cash and budget are equalized with accruals (e.g., receivables and payables)
- Monthly updates; first sign of fiscal distress
- All funds

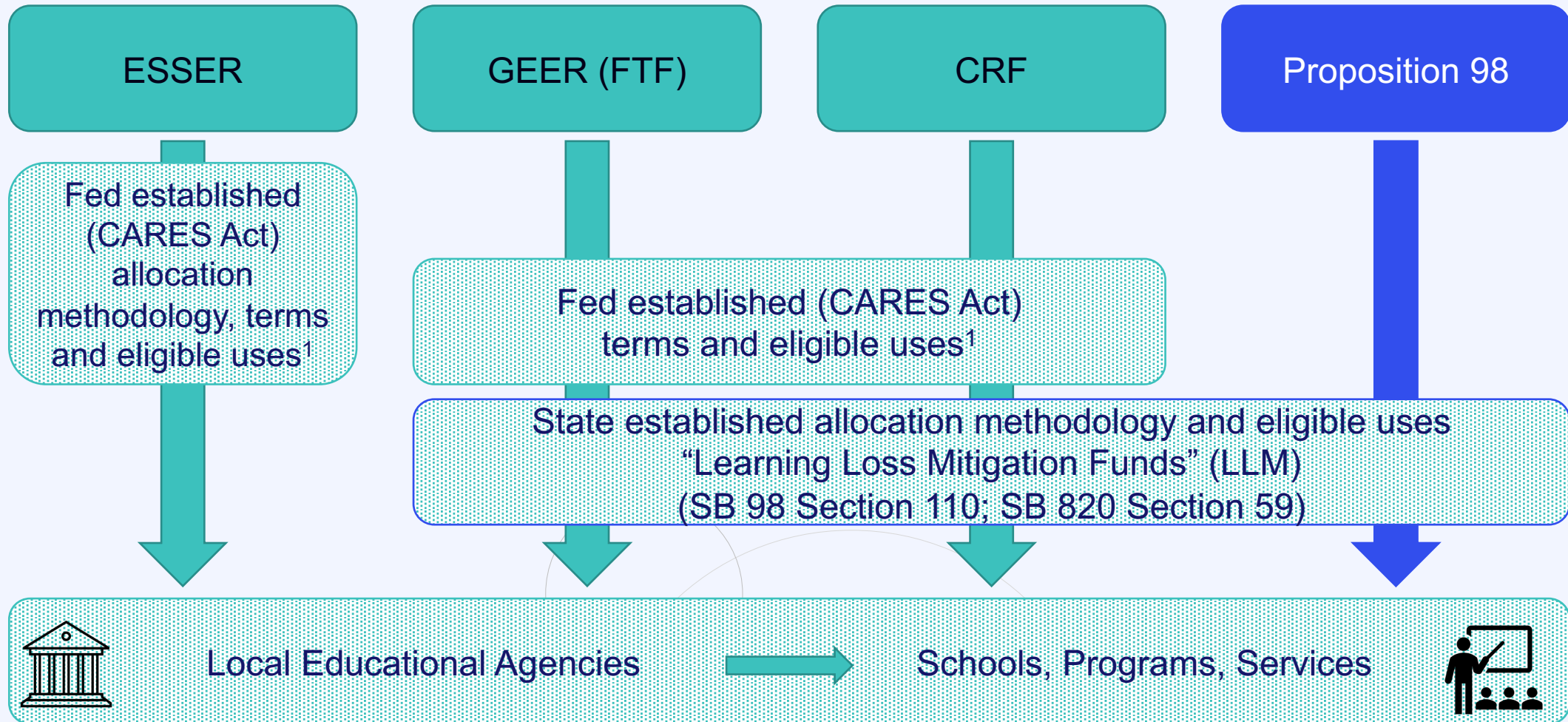
COVID-19 Relief Funding 2019-2021

CARES ACT - ESSER
\$1.5B
T1 funding methodology
Res 3210

Senate Bill 117
\$100,000,000 GF
Fully apportioned March 2020
Per-ADA, Res 7388



COVID-19 Relief Funding 2019-2021



¹Links provided on last slide

Elementary & Secondary School Emergency Relief Funds (ESSER)

- State Budget Act for 2020-21 allocates:
 - \$1.5 billion to LEAs in proportion to the amount of Title I-A funding the agencies receive to support COVID-19 related costs (SB 74, 6110-163-0890)
 - \$45 million to the Superintendent of Public Instruction to establish and administer the California Community Schools Partnership Program to award grants on a competitive basis to selected school districts, county offices of education, and charter schools, excluding nonclassroom-based charter schools, to support and expand existing community schools (SB 98, Uncodified Section 117)
 - \$112.2 million to the State Department of Education to reimburse eligible child nutrition programs based on meals served for breakfast and lunch at a rate not to exceed an additional \$0.75 per meal (SB 98, Uncodified Section 118)

Elementary & Secondary School Emergency Relief Funds (ESSER)

- A bit more on ESSER:
 - Application to CDE is required
 - CDE has assigned SACS resource code 3210 for tracking and reporting (including 2019-20 with a negative resource balance)
 - Expend timeframe is March 13, 2020 to September 30, 2022. Think about this in maximizing LEA 2019-20 ending fund balances
 - Indirect costs are applicable. Use the normal rules of applying the LEA's approved indirect rate based on the year expended
 - Apportionment schedule will follow normal federal cash management rules with the initial apportionment at 25% of allocation planned for September

Elementary & Secondary School Emergency Relief Funds (ESSER)

- Equitable services with non-public schools located within the LEA are required
 - Certain aspects of the equitable services distribution are contested in court; districts should plan appropriately with their private school partners but consider withholding actual payments until court stays are finalized
- Allowable uses include coordination and response with public health; needs of local school sites; activities to address unique needs of low-income students, students with disabilities, English learners, racial and ethnic minorities, students who are homeless or in foster care; distance learning; meals; personal protective equipment; cleaning supplies; and continuity of services

LLM Funds: “Special Education” (a)

- Special Ed Methodology (a)
 - \$335,227,000 Governor’s Emergency Education Relief Funds (GEER) (also called Federal Trust Funds – FTF) (24%)
 - ✓ Expenditure timeframe is March 13, 2020 to September 30, 2022
 - ✓ SACS resource Code: 3215
 - ✓ Apportionment will follow federal cash management process with first apportionment likely January 2021
 - ✓ Indirect costs applicable
 - \$1,144,773,000 Coronavirus Relief Funds (CRF) (76%)
 - ✓ Expenditure timeframe is March 1, 2020 to December 30, 2020 (or consistent with federal law)
 - ✓ SACS resource Code: 3220
 - ✓ Apportionment will be all at once the first week of September (assurances required)
 - ✓ Indirect costs allowance is currently unknown

(lower case letters in parenthesis refer to subsections of SB 98, Section 110 and SB 820, Section 59)

LLM Funds: “Unduplicated Pupil Percentage (b)”

- Unduplicated Pupil Percentage Methodology (b)
 - \$2,855,277,000 Coronavirus Relief Funds (CRF)
 - ✓ Expenditure timeframe is March 1, 2020 to December 30, 2020 (or consistent with federal law)
 - ✓ SACS resource Code: 3220
 - ✓ Apportionment will be all at once the first week of September (assurances required)
 - ✓ Indirect costs allowance is currently unknown

(lower case letters in parenthesis refer to subsections of SB 98, Section 110 and SB 820, Section 59)

LLM Funds: “LCFF (c)”

- LCFF Methodology (c)
 - \$439,844,000 Coronavirus Relief Funds (CRF) (45%)
 - ✓ Expenditure timeframe is March 1, 2020 to December 30, 2020 (or consistent with federal law)
 - ✓ SACS resource Code: 3220
 - ✓ Apportionment will be all at once the first week of September (assurances required)
 - ✓ Indirect costs allowance is currently unknown
 - \$539,926,000 Proposition 98 State General Fund (55%)
 - ✓ Expenditure timeframe is March 1, 2020 to June 30, 2021
 - ✓ SACS resource Code: 7420
 - ✓ Apportionment will be all at once in September
 - ✓ Indirect costs applicable

(lower case letters in parenthesis refer to subsections of SB 98, Section 110 and SB 820, Section 59)

LLM Funds: Purpose of Funds (d)

- Activities that directly support student academic achievement and mitigate learning loss (SB 98, Section 110)

Purpose of Funds (d) (paraphrased)	Example Uses
<ul style="list-style-type: none"> • Address learning loss or accelerating progress to close learning gaps through learning supports before the start of the school year and into the school year. 	<ul style="list-style-type: none"> • Summer school • Incremental costs to provide core / base services under physical distancing guidelines: lower class size, more bus routes / trips • Saturday school and afterschool program expansion (without normal restrictions) • Any technology for in-person or distance learning, including access/connectivity, software, LMS, subscriptions, text adoptions with online resources • Teacher and parent professional learning • Variety of program enhancements • “Repurposed” staff protected by layoff prohibition • Similar services for preschool aged children • Childcare to school-aged children
<ul style="list-style-type: none"> • Extending instructional school year or take any other action that increases the amount of instructional time/services provided based on student’s learning needs. 	
<ul style="list-style-type: none"> • Provides additional academic services, instructional materials or supports, or devices/connectivity. 	
<ul style="list-style-type: none"> • Provides integrated supports to address learning barriers and training to teachers and parents, access to school meals, or socio-emotional programs. 	

(lower case “d)” refers to subsection of SB 98, Section 110)

See links to federal expenditure guidelines on last slide for limitations on expenditures.

LLM Funds: Purpose of Funds (expanded)

- Activities that directly support student academic achievement and mitigate learning loss, expanded by SB 820, Section 59(d)(5)

Purpose of Funds	Example Uses
<ul style="list-style-type: none">• Addressing health and safety concerns, including, but not limited to, purchasing public health testing, personal protective equipment, supplies to sanitize and clean the facilities and school buses of local education agency, and for other related needs.	<ul style="list-style-type: none">• PPE• Employee and student COVID-19 testing• Custodial supplies to sanitize

See links to federal expenditure guidelines on last slide for limitations on expenditures.

LLM Funds: Important Reminders

- Allocation methodology does not equal eligible uses
- FY 2019-20 expenditures are eligible – The effective date of most funds is March 1, 2020 (some March 13, 2020)
 - Title I (and other federal Title, McKinney-Vento and Perkins) has carryover waivers in place
 - As part of year-end closing transfer expenditures from the least restrictive SB 117, general fund, Title I, Title II, ESSER resources to the more restrictive LLM funds
 - While CRF funds are available for broad use, their expend-by date makes them the most restrictive for certain expenditures

LLM Funds: Important Reminders

- SB 98, Section 34, EC 43509 requires LEA's to adopt a learning continuity and attendance plan, which shall describe how federal and state funding is used to support the plan. Further, Section 110, subsection (e) establishes as a condition of receipt of the LLM funds the adoption of learning continuity and attendance plan
- Funds may be expended prior to the adoption of a learning continuity and attendance plan
- Expenditure reports are due for various funds on October 15, 2020, late January 2021 and August 31, 2022
- Assurances required: no assurances, no funds

Budget Basics

- Consider all funds/sources when making planning and spending decisions
 - Each funding source – unrestricted, state or federal categorical – represents one piece of the overall puzzle that is your LEA's budget
 - Mix and match based on need and funding restrictions (see SSC decision matrix example)
- Always spend the most restricted dollar first
 - Restrictions come in a variety of terms including eligible costs, effective dates, carryover provisions, etc.
- One-time resources should only be spent on one-time uses
 - Some current year investments can reduce future year expenditures

Budget Basics

- Restricted expenditures influence unrestricted set-asides in the years the resources are spent
 - 1%-5% designated for economic uncertainties (reserves)
 - Note: SB 820, Section 71 excludes LLM and ESSER funds from the routine restricted maintenance account (RRMA) calculation
- Always apply allowable, approved indirect rates

Resources: Funding Matrix Example

Resource	Resource 3215 -Federal	Resource 3220-Federal	Resource 7420-State	Resource 3210-Federal	Resource 7338-State
Resource Name	Learning Loss Mitigation Paid from Governor's Emergency Education Relief (GEER)	Learning Loss Mitigation Paid from Coronavirus Relief (CR) Fund	Learning Loss Mitigation Paid from General Fund	Elementary & Secondary School Emergency Relief (ESSER)	Senate Bill 117
Spending Timeline	March 13, 2020 to September 30, 2022	March 1, 2020 to December 30, 2020	March 1, 2020 to December 30, 2020	March 13, 2020 to September 30, 2022	No Timeline to Spend
Allocation Amount	\$ <Enter Amount>	\$ <Enter Amount>	\$ <Enter Amount>	\$ <Enter Amount>	\$ <Enter Amount>
I/C Rate	District Approved Rate	Unknown Still	District Approved Rate	District Approved Rate	District Approved Rate
Apportionment Schedules	https://www.cde.ca.gov/fg/cr/documents/llmfallocationfy20.xlsx			https://www.cde.ca.gov/fg/cr/documents/caresact20ent1.xlsx	https://www.cde.ca.gov/fg/fo/r14/covid19learesponse19res
Distribution	Allocated based on 2019-20 SPED Count-Ages 3 to 22	Sec A-Allocated on 19-20 SpEd Sec B-Allocated on Supple/Concen: Sec C-LCFF entitlement	Allocated based on LEA proportion of statewide LCFF entitlement in 19/20	Allocated based on 19/20 Title 1	On the basis of 2019-20 First Principal Apportionment
Allowable Uses					
1	Addressing learning loss or accelerating progress to close learning gaps through the implementation, expansion, or enhancement of learning supports that begin before the start of the school year and the continuation of intensive instruction and supports into the school year.			Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness,	Maintaining nutrition services, cleaning and disinfecting facilities, personal protective equipment, and materials necessary to provide students with opportunities for distance learning
2	Extending the instructional school year by making adjustments to the academic calendar, increasing the number of instructional minutes provided during each week or schoolday, or taking any other action that increases the amount of instructional time or services provided to pupils based on their learning needs.			Coordination of preparedness and response efforts of LEAs with State, local, Tribal, and territorial public health departments, and other relevant	
3	Providing additional academic services for pupils, such as diagnostic assessments of pupil learning needs, intensive instruction for addressing gaps in core academic skills, additional instructional materials or supports, or devices or connectivity for the provision of in-classroom and distance learning.			Providing principals and others school leaders with the resources necessary to address the needs of their individual schools	
4	Providing integrated pupil supports to address other barriers to learning, such as the provision of health, counseling, or mental health services, professional development opportunities to help teachers and parents support pupils in distance-learning contexts, access to school breakfast and lunch programs, or programs to address pupil trauma and social-emotional learning.			Staff training and professional development on sanitation and minimizing the spread of infectious disease	
5	Expenditures not accounted for in the budget most recently approved as of March 27, 2020, unless expenditure is for a substantially different use.			Planning for and coordinating on long-term closures (including on meeting IDEA requirements, how to provide online learning, and how to provide meals to students)	
6				Developing and implementing procedures and	

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Resources: Links

For Learning Loss Mitigation and ESSER Funds:

- [CDE Federal Funding Flexibility](#)
- [CDE CARES Act ESSER Funding](#)
- [CDE Learning Loss Mitigation Funding](#)
- [Federal Guidance on Coronavirus Relief Funds \(CRF\)](#)
- [FAQ Coronavirus Relief Funds \(CRF\) – August 10, 2020](#)
- [Federal Guidance on GEER Funds](#)
- [Senate Bill 98 \(Chp 24/2019\)](#)
- [Senate Bill 820 \(pending\)](#)