



Executive Summary on 2021-22 Governor’s Budget Proposal

February 25, 2021

The Newsom Administration released a summary of his 2021-22 budget proposal on Friday, January 8th, including significant proposed mid-year changes to the current, 2020-21 budget. His proposals come in the context of a state economy that is proving resilient in the face of the COVID-19 pandemic. While we have to keep in mind that many of the Governor’s proposed augmentations will be subject to significant changes or revision in the next few months, I have provided a summary below of the governor’s budget proposals and their impact on MWA’s 2021-22 budget:

Restored COLA for LCFF: The governor proposes restoring the un-funded 2.31 percent cost-of-living adjustment (COLA) for 2020-21 along with an estimated 1.5 percent for 2021-22, for a net increase of **3.84 percent**. This restoration would occur in 2021-22. Please note that the COLA of 3.84 percent **only applies to the local control funding formula or LCFF**, which accounts for more the 80% of MWA’s total state funding. Non-LCFF categorical programs such as special education, mandate block grants, child nutrition, and SB 740 Charter Facility Grants will be funded on a COLA of **1.5 percent**. The Department of Finance has also projected the following COLA estimates for future years:

Year	Estimated COLA
2021-22	3.84%
2022-23	2.82%
2023-24	2.98%
2024-25	3.05%

Reduced Deferrals: The Governor’s Budget would “buy-down” roughly **two-thirds** of the \$11 billion of K-12 funding deferrals slated for **spring of 2022**, eliminating the deferrals proposed for the months of February through May and leaving the \$3.7 billion deferral for the month of June, 2022 in place. It is important to note that the **cash deferrals for FY 2020-21** starting this month (February 2021) **are not affected** by the Governor’s Budget for 2021-22. The repayment schedule for these deferrals remains, with schools receiving these apportionments from July through November 2021 as enacted in the 2020 Budget Act.

Expanded Learning Time and Academic Intervention Funding: **\$4.6 billion** of **one-time** funding for expanded learning time and academic interventions. These would provide funding for targeted interventions for low-income, English learner, foster youth, and homeless youth for extended school year, community learning hubs, and other targeted strategies to address pandemic-related learning loss. It is estimated that this add-on would provide a **6.8 percent** boost to each LEA’s 2020-21 LCFF funding entitlement as computed at the First Principal Apportionment. It translates to about a total funding of **\$700k** to MWA. There are some strings

attached to this grant, including that LEA governing boards would need to adopt **an addendum to their Local Control and Accountability Plan** (yes, yet another plan) describing how the funds will be used.

In-Person Instruction Grant: **\$2 billion** of one-time funding for in-person instruction grant, which would be apportioned to eligible local education agencies (LEAs, including classroom-based charter schools), and would be allocated in proportion to LEAs' funding from the Local Control Funding Formula (LCFF). MWA is eligible for about \$300k from this grant.

Teacher Professional Development and Credentialing: Newsom proposes over a **half-billion dollars** in augmentations to various teacher professional development and credentialing programs to address myriad topics and extend grant programs to individuals training to teach in high-demand areas. It is not year clear this grant will be allocated to LEAs.

STRS Contributions: As you may recall, to provide schools with increased fiscal relief, the 2020 Budget redirected \$2.3 billion to temporarily reduce employer pension contribution rates in 2020-21 and 2021-22. As a result, for 2021-22, CalSTRS will reduce the employer rate from 18.1 percent to approximately **15.92 percent**.

Additional Federal Funding: Not specifically included in the state budget proposal is approximately \$6.7 billion to TK-12 schools from the federal relief package approved in December, to be allocated based on schools' Title I counts. The size of this funding is roughly four times as large as the prior round of federal funding from the first federal COVID relief bill. School Service of California estimated that MWA would receive about **\$1.02M** in this 2nd round of federal funding based on our Title I entitlement.

Can We Bank on these proposed augmentations by the governor?

All these proposals yet to be reviewed by the Legislature. The Legislature may have different priorities, and pending proposals from the incoming Biden Administration to allocate yet a third major round of federal funding may affect the outcome. As such, **Eric Premack (the top financial guru in California for charter school finances) from Charter School Development Center does not recommend budgeting these funds just yet except for the restored COLA, the temporary STRS relief, and the additional federal funding.**

Next Steps:

The Governor's Budget is only the first step in enacting the state budget for 2021-22. The Department of Finance is expected to release more programmatic details in the Budget Trailer Bill soon. The Legislature is expected to take early action on mid-year adjustments in the coming weeks and continue budget hearings through the spring. Economic assumptions, including the COLA, will be updated in mid-May. The Legislature must adopt the 2021-22 budget by June 15. We will provide a budget update in the June board meeting.

Summary of the impact on MWA's 2021-22 budget:

I have summarized the impact below of the governor’s budget proposal on MWA’s 2021-22 budget. As mentioned above, at this point we have only budgeted the restored COLA, the temporary STRS relief, and the additional federal funding based on Eric’s recommendations.

Budget items	Estimated Net Positive/ (Negative) Budget Impact	Notes
Restored COLA (Revenue)	\$700,000	3.84% for LCFF and 1.5% for categorical programs.
2 nd Round Federal COVID Relief Funding (Revenue)	\$1,020,000	Based on School Services of California estimate. This should be considered one-time funding.
Temporary CalSTRS Relief (Savings)	180,000	Employer contribution reduced from 18.1% to 15.92%
Total Net Impact:	\$1,900,000	