

The Education Coalition

May 20, 2020

Memorandum

TO: CA State Policymakers
FM: The Education Coalition
RE: K-12 Education Budget Position Paper

Working together to support and improve California's public schools

Association of California School Administrators (ACSA)

representing more than 17,000 school administrators

California Association of School Business Officials (CASBO)

representing more than 23,000 school business officials

California County Superintendents Educational Services Association (CCSESA)

representing all 58 county superintendents throughout California

California Federation of Teachers (CFT-AFL-CIO)

representing nearly 120,000 education employees

California School Boards Association (CSBA)

representing nearly 1,000 K-12 school districts and county offices of education throughout California

California School Employees Association (CSEA)

representing more than 250,000 classified school employees

California State PTA

representing 700,000 parents, teachers, and students in California

California Teachers Association (CTA)

representing over 325,000 educators

Service Employees International Union (SEIU)

representing more than 50,000 school employees in California

Legislative Consultant:

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The Education Coalition is comprised of the nine statewide K-12 education associations to provide consensus positions protecting the integrity of Proposition 98 and funding in the budget for K-12 public education.

The nine statewide organizations include:

- Association of California School Administrators [ACSA]
- California Association of School Business Officials [CASBO]
- California County Superintendents Educational Services Association [CCSESA]
- California Federation of Teachers [CFT]
- California School Boards Association [CSBA]
- California School Employees Association [CSEA]
- California State Parent Teachers Association [PTA]
- California Teachers Association [CTA]
- Service Employees International Union [SEIU]

Each year, the Education Coalition issues budget position papers and meets with legislative members of the budget and policy committees to share our consensus position on the major budget proposals in education in the state budget.

Attached is the Education Coalition's position paper commenting on concerns regarding the Governor's May Revision. For further information contact Dale Shimasaki, the Consultant to the Education Coalition at 916-441-3909.

Education Coalition Responses to the May Revision for K-12 Education

Schools cannot physically reopen safely with the funding level proposed in the May Revision.

The COVID-19 pandemic has caused enormous upheaval in the K-12 public education system. The movement to distance learning required school districts to ensure equal access to instruction, which required emergency purchases of electronic devices and internet connectivity. School district and county offices of education leaders were expected to move to distance learning models for all students, including students with disabilities, at a speed to transition with limited access to sufficient tools and professional development needed to ensure a seamless process. Classified staff were also called into action to redesign the methods of delivering school meals while maintaining a new standard of cleaning and safety protocols with insufficient supplies, equipment, and adequate training.

As school districts and county offices of education prepare to re-open safely in the fall, it will require significant resources, as unprecedented challenges will remain due to COVID-19. Social distancing will require smaller class sizes and master schedule changes to provide healthy and safe environments for students and staff. Properly disinfecting schools and maintaining safe learning environments will be a top priority for students, staff, and parents. All these efforts will require additional staff and increase costs.

The COVID-19 pandemic has severely impacted the state's economy and reduced the state's general fund revenues. This economic downturn creates a negative impact on the Proposition 98 guarantee. For K-14 education, the May Revision estimates a total decline of \$19 billion from the Governor's January Budget proposal. The reduction in the Proposition 98 minimum guarantee, when combined with statutory technical adjustments, creates a shortfall of \$15.1 billion for K-12 schools over the 2018-19, 2019-20, and 2020-21 fiscal years.

The Education Coalition appreciates the efforts the Governor is making to mitigate the erosion of the Proposition 98 guarantee. Even with these efforts, the May Revision proposes drastic cuts to K-12 education at a time when schools face significant costs related to COVID-19 and as they prepare for re-opening in the fall. It is for these reasons that the Education Coalition must respectfully oppose the proposed cuts in the May Revision to K-12 education and ask that both the Administration and the Legislature look to alternate revenue sources to ensure K-12 schools can provide quality and safe educational environments for its six million students. This is an urgent matter and should be addressed in the June budget to provide enough time for schools to physically reopen safely.

Items of Opposition in the May Revision

The Education Coalition is opposed to the following items in the May Revision:

- Local Control Funding Formula [LCFF] Reduction. The May Revision proposes a \$6.5 billion [10 percent] reduction to the LCFF. The reduction applies to all components of LCFF including:
 - Base Grant
 - Supplemental factor
 - Concentration factor
 - Grade 9-12 Career Technical Education 2.6% add-on
 - K-3 class size reduction
 - Home-to-School-Transportation
 - Targeted Instructional Improvement Grant

A 10 percent cut to the LCFF equates to the following cuts:

- **Equivalent Cut Per Student: \$1,230**
- **Equivalent Cut Per Classroom: \$21,667**
- **Equivalent Teacher Lay Offs (Salary & Benefits): 57,638**
- **Equivalent Classified Employee Lay Offs: 125,000**
- **Percentage increase in class size: 19.1%**

These cuts will strip districts of the resources needed to re-open schools, which is critical to the recovery of our state's economy.

- Cash Flow. The May Revision includes the deferral of payments to local education agencies, totaling \$5.3 billion by 2021-22. We understand deferrals may be necessary to mitigate budget cuts. However, in addition to the deferrals, counties are considering cancelling their Teeter Plans which allows counties to allocate property tax revenues based on the total amount of property taxes billed, but not collected. If cancelled, local school districts will have less property tax revenues to meet their obligations. The combination of deferrals and cancellation of Teeter Plans will exacerbate a local district's cash flow needs.
- Categorical Reductions. The May Revision proposes \$352.9 million in reductions to various categorical education programs. The Education Coalition is concerned about the trigger reductions to these programs, particularly Adult Education and Career Technical Education (CTE) related programs.
- Nutrition. The May Revision withdraws the Governor's January proposal to provide an additional \$60 million for the school nutrition program. Since the COVID-19 pandemic outbreak, the state has called upon K-12 education to expand nutrition programs to serve meals to eligible students and their families. Nutrition funding has not increased commensurate with demand and the Education Coalition urges rejection of this proposal.

**EDUCATION COALITION POSITION PAPER:
2020-21 STATE BUDGET**

- Early Education. Maintaining access to safe and quality childcare is more important now than ever. Early education needs to be funded at a level that can continue to support both working families and essential workers. Californians may face a second wave of the virus and need to be prepared to stay home when childcare for essential workers will be vital once again.

Items of Support in May Revision

The Education Coalition is in support of the following May Revision proposals:

- Suspending Tax Credits. The May Revision proposes a temporary three-year suspension of net operating losses and limitation on business incentive tax credits. This will provide a \$1.8 billion increase to the Proposition 98 Guarantee.
- Federal Funds for Learning Loss Initiative. The May Revision proposes \$4.4 billion in one-time federal funds to local educational agencies to address learning losses related to COVID-19 school closures. Of this amount, the May Revision proposes \$1.5 billion be allocated to local educational agencies based on the number of students with exceptional needs and \$2.9 billion to local educational agencies that qualify for concentration grant funding based on the number of “unduplicated” students (low-income, English learners and foster youth). The Education Coalition recommends the \$2.9 billion be allocated to all unduplicated students, and not just those attending local educational agencies that receive concentration grant funding. We look forward to further conversation on how these funds are distributed among local educational agencies.
- Federal Elementary and Secondary School Emergency Relief Funds. The Education Coalition supports the May Revision proposal to provide \$1.5 billion to local educational agencies based on the Title I formula for COVID-19 related costs and \$100 million for county offices of education to develop networks of community schools.
- CalPERS/CalSTRS Contributions. The May Revision proposes redirecting \$2.3 billion paid to CalPERS and CalSTRS towards long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22. This will provide necessary short-term relief for school districts by reducing pension obligations.
- Proposition 98 Supplemental Appropriations. Beginning in 2021-22, an amount equal to 1.5% of General Fund revenues per year will be allocated to the Proposition 98 Guarantee, up to a cumulative total of \$13 billion. This will increase the Proposition 98 share of the General Fund from 38 percent to 40 percent over time. This is consistent with the intent of Proposition 98.
- Special Education. The May Revision maintains the January budget proposal of \$645 million to increase special education base rates to approximately \$645 per average daily attendance (ADA).

**EDUCATION COALITION POSITION PAPER:
2020-21 STATE BUDGET**

- K-12 Facilities. The May Revision proposes \$1.5 billion in capital outlay funds for K-12 school construction from Proposition 51 bond funds.
- Flexibility Proposals. The Education Coalition supports the flexibility proposals for K-12 education included in the May Revision:
 - Exemptions for local educational agencies if apportionment deferrals create a documented hardship.
 - Authority for local educational agencies to exclude state pension payments on behalf of local educational agencies from the calculation of required contributions to routine restricted maintenance.
 - Subject to public hearing, increases on local educational agency internal inter-fund borrowing limits to help mitigate the impacts of apportionment deferrals.
 - Authority to use proceeds from the sale of surplus property for one-time general fund purposes.
 - Options for specified special education staff to utilize technology-based options to serve students.
 - Extension of the deadline for transitional kindergarten teachers to obtain 24 college units of early childhood education, from August 1, 2020 to August 1, 2021.

Items of Support Not in May Revision

The Education Coalition asks the Legislature and Administration to consider the following budget priorities not included in the May Revision:

- Suspension of Tax Credits. The Education Coalition supports suspension of additional tax expenditures given the adverse impacts imposed by the COVID-19 pandemic. Tax expenditures adversely impact the Proposition 98 Guarantee in Test 1 years. The Department of Finance indicates that by 2020-21, there will be a loss of \$506 billion in General Fund revenue since 2008 from tax expenditures. The following tax expenditures should be considered for suspension as each has generated revenue losses of greater than \$1 billion over ten years:
 - Water's edge election
 - Research and Development (R & D) Credit
 - Sales tax exemption for certain agricultural products
 - Like-kind exchanges of investment property
 - Subchapter S corporation election
 - Airline fuel for international flights
 - Sales tax exemption for farm machinery
 - Deduction for dividends paid to Employee Stock Ownership Plans
- Attendance Hold Harmless. Even when schools begin to reopen, they will continue to struggle with student attendance due to illness, quarantine, or

**EDUCATION COALITION POSITION PAPER:
2020-21 STATE BUDGET**

parents keeping their kids home out of caution. In addition, existing attendance accounting requirements are incompatible with the need to claim funding for services provided through a combination of classroom-based and distance learning options. It is critical to schools that the Legislature provide a temporary ADA hold harmless through the 2020-21 school year with continued stakeholder engagement with school officials, until a vaccine is available and made widely accessible. We support a thoughtful process for moving to enrollment-based funding when Prop 98 funding is restored and if local educational agencies with high attendance are held harmless.

- **Instructional Time Requirements.** The Education Coalition supports providing temporary flexibility around the adoption of trailer bill language to temporarily suspend the instructional year and instructional minutes requirements for local education agencies to accommodate distance learning. Current requirements were designed for face-to-face classroom activities. The COVID-19 pandemic has required schools to pursue education settings through distance learning and social distancing environments which are not compatible to these current law requirements. We would like to see continued commitment from the Legislature and stakeholders to prioritize equity by providing resources to all students.
- **Executive Purchasing Power for Personal Protective Equipment [PPE].** Schools need adequate PPE for students and staff to reopen. The Education Coalition asks the state to use its purchasing power and existing contracts to purchase PPE for schools with non-Proposition 98 funding in order to mitigate district by district procurement competition that states experienced at the beginning of this pandemic.

Sincerely,

*The
Education
Coalition*