

APRIL 28, 2020

COVID-19: Fiscal Effects on Schools

PRESENTED TO: Assembly Budget Subcommittee No. 2
on Education Finance
Hon. Kevin McCarty, Chair



LEGISLATIVE ANALYST'S OFFICE

Major State Actions Affecting Schools

► **Several Education-Related Actions in Response to Coronavirus Disease 2019 (COVID-19) Crisis**

- On March 13, 2020 the Governor issued Executive Order N-26-20, which set expectations for schools in the event of school closures.
- On March 17, 2020 the Legislature enacted statutory changes consistent with the Governor's executive order in Chapter 3 of 2020 (SB 117, Committee on Budget and Fiscal Review).
- The California Department of Education has issued numerous guidance documents in response to the COVID-19 crisis and actions by the Legislature and Governor.

► **State Provided Fiscal Relief for Closures in 2019-20**

- For 2019-20, the state will calculate average daily attendance through the month of February, rather than mid-April. Similar adjustments apply to state-funded after school programs.
- Penalties for not meeting instructional time requirements will be waived.
- Senate Bill 117 provided \$100 million to schools for personal protective equipment, or to pay for supplies and labor related to cleaning school sites.

► **State Expectations for Schools During Closures**

- Provide educational opportunities through distance learning or independent study.
- Provide school meals to students in noncongregate settings.
- Continue to pay employees.



Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act

▶ Elementary and Secondary School Emergency Relief Fund

- California to receive \$1.6 billion, proportional to its share of federal Title I education funding.
- At least 90 percent must be allocated to schools proportional to their share of federal Title I funding. Funds can be used for a wide range of activities, including COVID-19 response, distance learning, staff training and resources, and addressing the unique needs of various student subgroups.
- Up to 10 percent can be used for emergency needs as determined by states in response to the COVID-19 outbreak.

▶ Governor's Emergency Education Relief Fund

- California is eligible to receive \$355 million in discretionary emergency support grants for K-12 and higher education. Allowable uses include grants to schools or institutions of higher education most impacted by COVID-19, as well as emergency educational services.

▶ Child Care and Development Block Grant (CCDBG)

- California to receive a \$350 million one-time augmentation to its CCDBG allocation. States can use funds to (1) assist child care providers that have experienced decreased enrollment or closures due to COVID-19, (2) provide child care assistance to essential workers during the response to COVID-19, and (3) clean and sanitize, or other necessary activities to maintain or resume the operation of child care programs.



Fiscal Outlook for Schools

▶ State Very Likely Faces Decline in Revenues

- Job loss and abrupt halting of economic activity make it clear that we have entered a recession.
- Proposition 98 minimum guarantee will decrease in line with state revenues.

▶ Reserves Can Help School Districts Prepare for Declines in Revenues

- At the end of 2018-19, school districts held a total of \$12.8 billion in unrestricted reserves—representing 17 percent of district spending in that year.

▶ Reserve Levels Likely Insufficient to Weather Significant Downturn

- Few districts have enough reserves to maintain current service levels for an extended period if revenues were to decline significantly.

▶ Significant Uncertainty Regarding Reopening of Schools

- Schools will be entering the 2020-21 school year with uncertainty about when and how schools will be able to reopen consistent with public health guidance. This creates greater uncertainty around their expenditures for the coming year.

