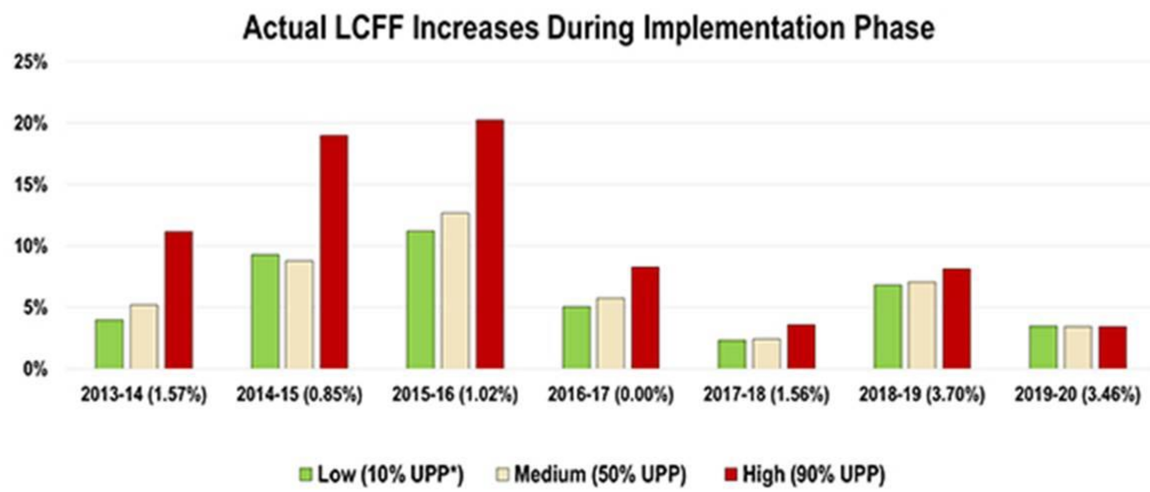
An article from School Services of California, Inc.

COLA: Is There Enough to Go Around?

Now that local educational agencies (LEAs) have reached their Local Control Funding Formula (LCFF) target funding, we need to redefine cost-of-living adjustment (COLA) and, in particular, how our understanding of COLA will impact collective bargaining. The demands on the COLA in 2019-20 are not the same as the demands on the COLA in 2007-2008, the last year of full funding under our former funding model.

The Great Recession took a tremendous toll on our communities; jobs were lost, furlough days were common place, and employees were paying more out of their pockets for health benefits. The end of the Great Recession brought with it the retirement of the Revenue Limit, and the LCFF was born. The new funding model brought forth a pledge for brighter times, and the promise of restored funding for LEAs.

Over the six-year implementation of the LCFF, COLA was not synonymous with funding increases as it was during the Revenue Limit days. As shown in the chart below, fiscal years 2013-14 through 2018-19 resulted in actual funding increases that exceeded the COLA as LEAs moved towards a target LCFF rate. The state’s allocation of funding to close the LCFF funding gap was the primary driver of revenue increases, not the COLA.



*Unduplicated pupil percentage

In 2019-20, the COLA, similar to the pre-recession COLAs, will be the primary driver of funding increases. However, there are additional constraints that LEAs must address in 2019-20 and beyond, including declining enrollment, rising pension benefit costs, increased step and column costs, and support for encroaching programs which are increasing at a rate unlike any time in recent history. These constraints, along with a funding environment that has reverted back to COLA-only, have placed tremendous pressure on the operating budgets of LEAs, and will continue to place stress on local negotiations as a common realization is reached: the additional constraints leave nothing available for additional employee compensation without cutting services to students.

The next several years are shaping up to be a period of normalization. The inability to provide employees with compensation increases that maintain their purchasing power is likely our new norm—and that's assuming a growing economy and rising stock market. If a recession comes, and it is widely expected to arrive, then buckle your seatbelts because it's going to get bumpy.

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