



Governor's Proposals for the 2022-23 State Budget and K-12 Education

**Folsom Cordova Unified School District
Board Presentation**



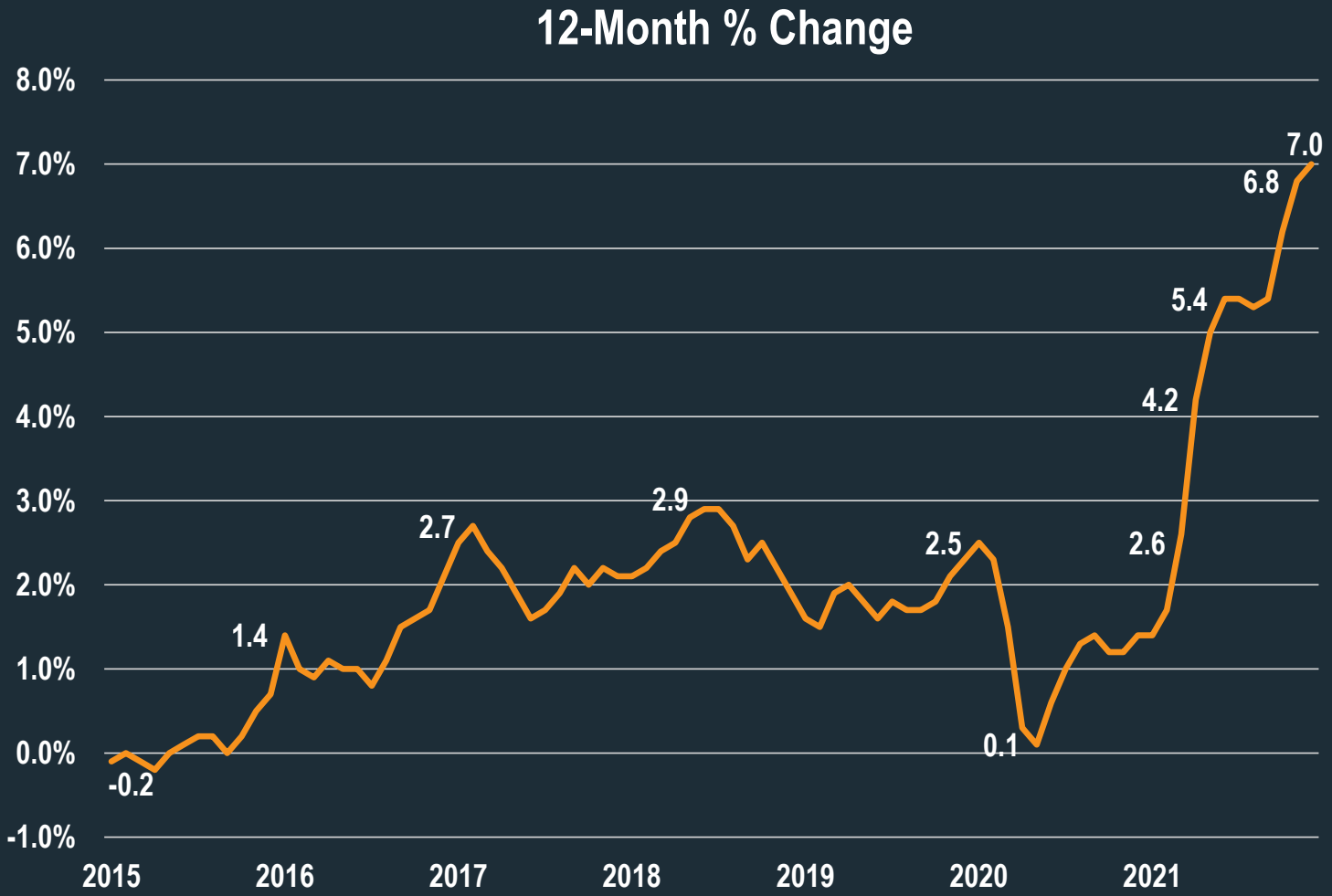
February 3, 2022

State Budget and Economy

- **Robust state revenues provide the state General Fund with a surplus of \$45.7 billion for the 2022-23 fiscal year**
- **Significant increases projected for Personal Income Tax and Sales and Use Tax, two of the Big Three taxes**
 - Personal income tax (PIT) revenues make up two-thirds of state revenues and 70% of the Big Three revenues
 - Nearly 50% of state income tax is paid by just 1% of Californians making PIT a volatile revenue source
- **The Governor's Budget reflects significant reserves including the Budget Stabilization Account (Rainy Day Fund), the Public School System Stabilization Account, and the general operations reserve**
- **While there are many positive economic indicators, there is still a level of economic uncertainty due to the unpredictability of COVID-19**
- **Inflation has become a major concern as the cost of everyday goods and services continue to rise to levels not seen since 1982**

Inflation

■ The confluence of federal stimulus funds, pent up consumer demand for goods, and scarce supplies have contributed to an historic rise in inflation not seen in over 30 years—as measured by the Consumer Price Index—which increased by 7.0% in 2021



Proposition 98 and the Education Budget

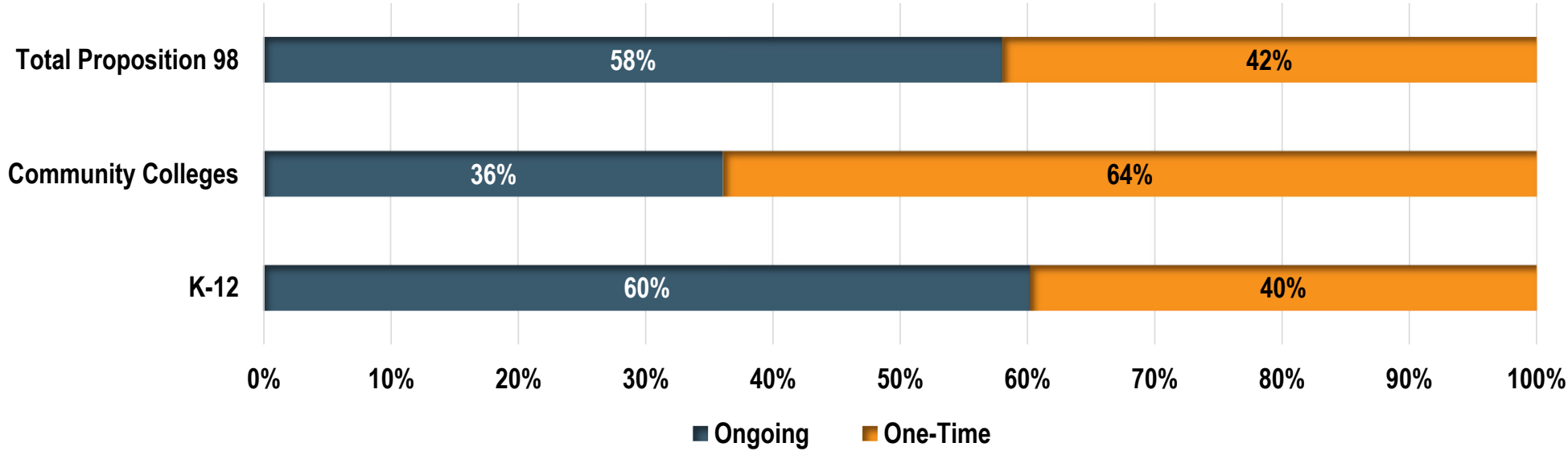
- Proposition 98 in the 2022-23 Governor's Budget reaches an all-time high
 - Provides \$16.1 billion in new revenues for K-14 education
 - But there are strings
 - For the first time, most school districts will be required to spend down their reserves
 - A sizeable share of new funding is proposed for restricted purposes, leaving few resources to address increased costs associated with soaring inflation and rising pension obligations



Proposition 98

- The Governor’s spending of new Proposition 98 revenues relies heavily on one-time investments
 - General apportionment formulas for K-12 and community colleges are increasing by COLA only, or 5.33%

Governor’s Proposition 98 Spending Design
Ongoing versus One-Time Spending



Deposit into Proposition 98 Rainy Day Fund

- The education community continues to grapple with the reserve cap
- When the four conditions are met, a state deposit into the Proposition 98 reserve is required



Test 1

Minimum guarantee is determined by Test 1



Maintenance Factor

Proposition 98 maintenance factor prior to 2014-15 is fully paid



ADA and COLA

Proposition 98 minimum guarantee is sufficient to fund ADA* and COLA



Capital Gains

Capital gains exceed 8% of General Fund revenues

*Average daily attendance (ADA)

Reserve Cap

- **Senate Bill (SB) 751 (Chapter 674, Statutes of 2017) set the threshold for triggering the cap on district reserves and the limits of how much school districts can maintain in their local reserves**

When the state reserve reaches 3% of the K-12 portion of Proposition 98 in that year

Caps district reserves at 10% using assigned/unassigned ending balance of General and Special Reserve Funds

Exempts basic aid districts and districts with fewer than 2,501 ADA

Reserve Cap Compliance Ideas

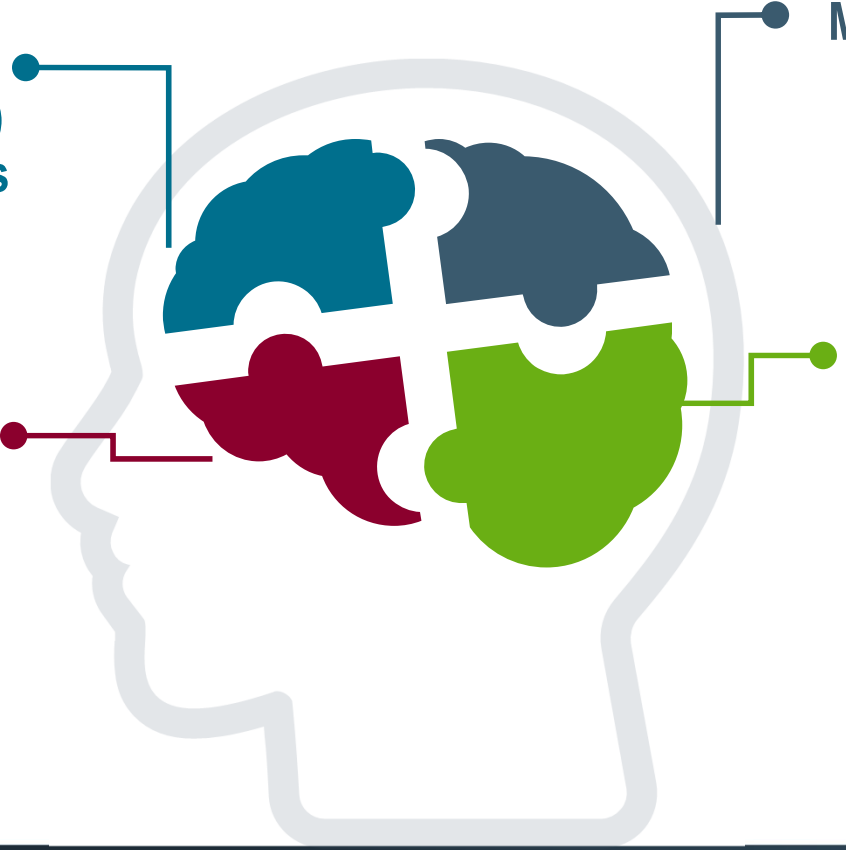
- This is an unfortunate law as no district should be penalized for prudent fiscal management

Waiver from the county office of education (COE) for two consecutive years in three-year period

Move resources to other funds (e.g., Fund 20, 35, 40)

Commit resources, rather than assign

Contribute more to restricted programs (e.g., Routine Restricted Maintenance)



SSC Financial Projection Dartboard

Planning Factors					
	2021-22	2022-23	2023-24	2024-25	2025-26
DOF* Planning COLA	5.07%**	5.33%	3.61%	3.64%	3.62%
CalSTRS***	16.92%	19.10%	19.10%	19.10%	19.10%
CalPERS***	22.91%	26.10%	27.10%	27.70%	27.80%
Unemployment Insurance	0.50%	0.50%	0.20%	0.20%	0.20%

*Department of Finance (DOF)

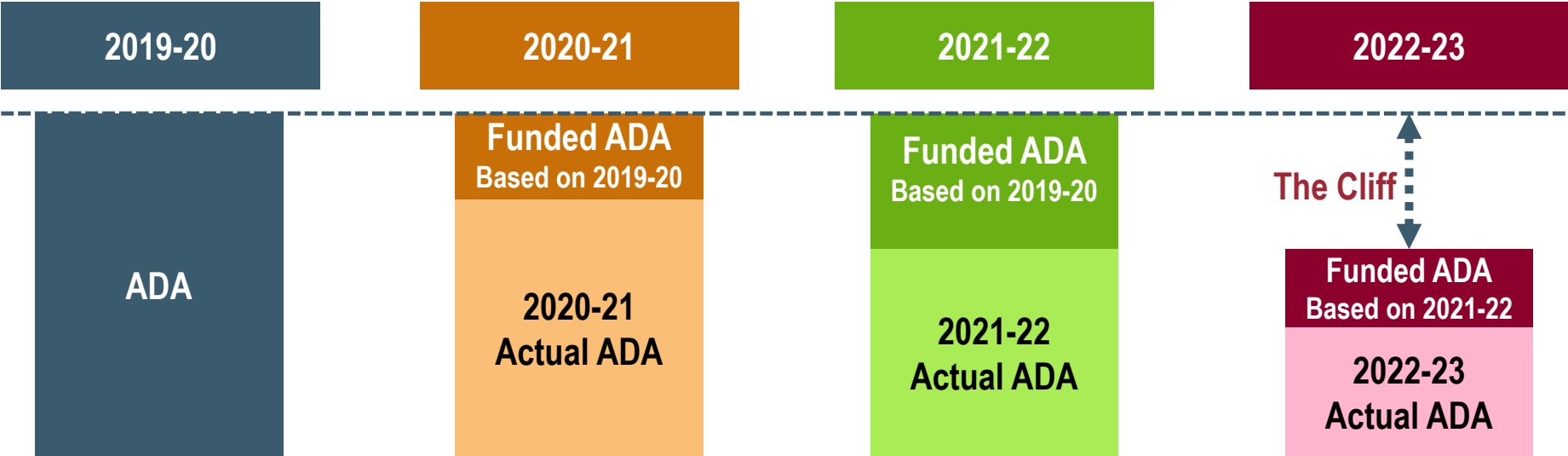
**Calculated by compounding the unfunded COLA of 2.31% from 2020-21 and the statutory COLA of 1.70%, plus 1.00%, in 2021-22

***California State Teachers' Retirement System (CalSTRS); California Public Employees' Retirement System (CalPERS)

- COLA is at higher levels
 - But so are the projected cost increases that are facing LEAs
- The journey the COLA has taken us on has been quite a wild ride

2022-23 ADA “Cliff”

- The ADA “Cliff” has been well-publicized and the subject of many discussions
 - For charter schools and COEs, the impact is already being felt in 2021-22
- Good news—the Governor and Legislature are listening and hearing your collective voices



ADA Cliff—Proposed Solution

- Many solutions have been entertained, and the Governor included one additional option:

Current Law for School Districts

Education Code Section (EC §) 42238.05(a)(1) provides funding through the LCFF on the greater of:

Current Year ADA
or
Prior Year ADA

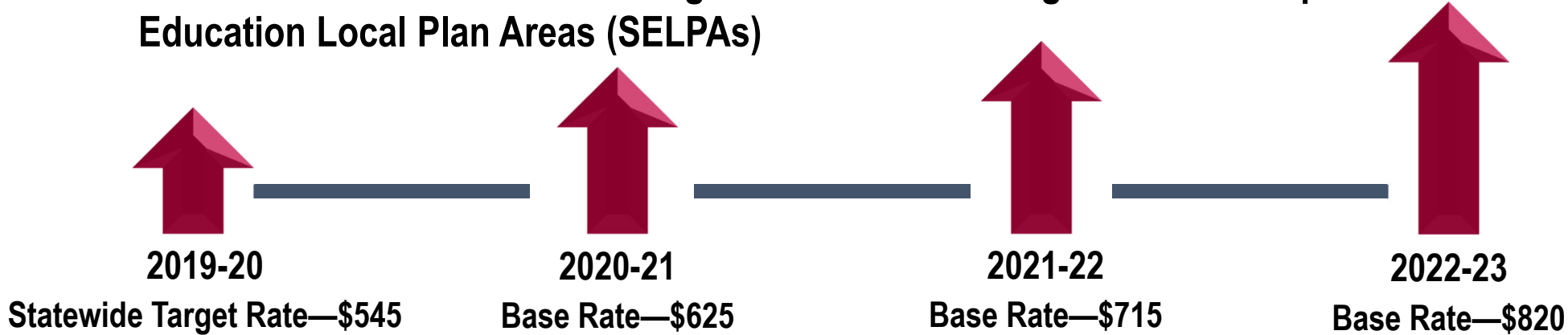
Governor’s Proposal for School Districts

Funding would be based on the greater of:

Current-Year ADA,
Prior-Year ADA
or
Computed average ADA using the prior three years’ ADA

Special Education

- In the wake of \$3.1 billion in special education investments over the last three years, Governor Newsom reinforces his commitment to young children and students with disabilities by proposing an integrated package of investments in early prevention and intervention and proposes commitments for ongoing special education funding
 - \$500 million in Proposition 98 General Fund special education funding
 - 5.33% COLA adjustment—\$140.6 million
 - These investments result in a Base Rate increase estimated at \$820 per ADA
 - Funds will continue to flow through the AB 602 Funding Formula via Special Education Local Plan Areas (SELPAs)

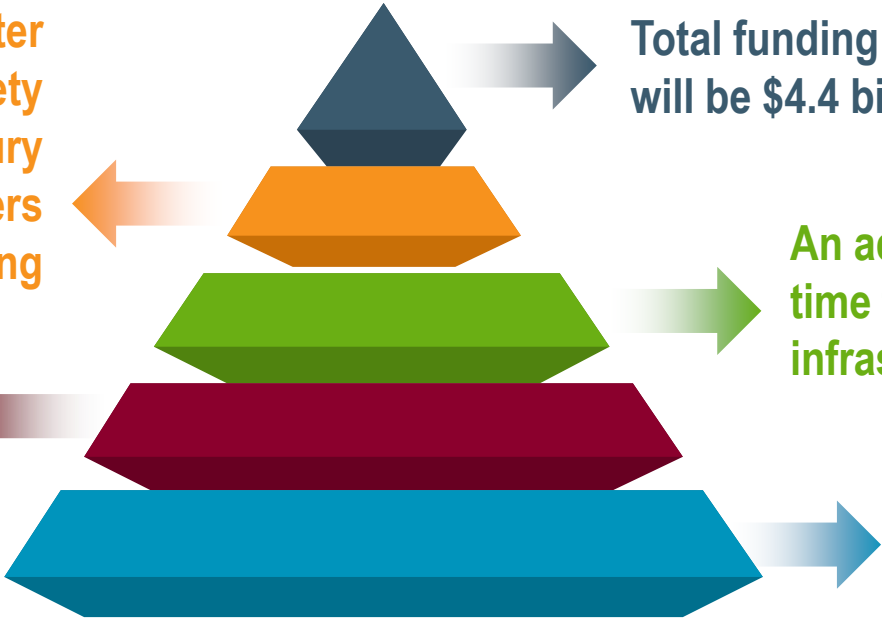


Expanded Learning Opportunities Program

The largest investment in the Proposition 98 part of the Budget is an additional \$3.4 billion ongoing for the ELO Program

One-time rate increases for After School Education and Safety (ASES) and 21st Century Community Learning Centers (CCLC) will be ongoing

Remember that resources can be braided— State Preschool, special education learning recovery funds, ASES, 21st CCLC



Total funding for ELO Program will be \$4.4 billion annually

An additional \$937 million one-time for ELO Program infrastructure

Statutory language will clarify that literacy tutors and arts and music programming can be incorporated as enrichment options for students

Transportation

- **Governor Newsom is proposing \$1.5 billion one-time (available over three years) to support school transportation programs**
 - **LEAs to receive grants (of at least \$500,000) for the acquisition of electric school buses, construction of bus charging stations, and to support local school bus transportation needs**
 - **Priority would be given to LEAs with a high concentration of unduplicated pupils as well as small and rural LEAs**
- **The Governor is also proposing a workgroup to streamline the process of training and licensing new school bus drivers**



Student Nutrition and Universal Meals

\$596 million (on top of \$54 million provided in the 2021 State Budget Act) to fund universal access to subsidized school meals

Beginning in 2022-23, all LEAs are required to provide two free meals per day to any student who requests a meal

\$450 million one-time (available over three years) for LEAs to upgrade school kitchen infrastructure and equipment

\$30 million one-time (non-Proposition 98) for the Farm to School Program and \$3 million ongoing (non-Proposition 98) to expand the regional California Farm to School Network by 16 new positions

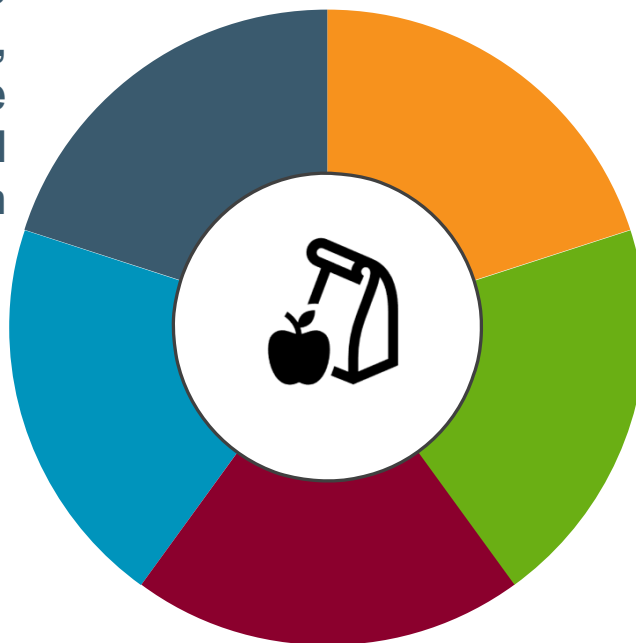
\$3 million one-time to support the School Breakfast and Summer Meal Start-Up and Expansion Grant Program

Universal Meals Program

Beginning in 2022-23, LEAs must provide free breakfast and lunch each school day to any student requesting a meal, regardless of free or reduced-price meal eligibility

In order to receive state reimbursement for the two meals, LEAs must participate in both the National School Lunch Program and School Breakfast Program

LEAs with defined high-poverty schools are also required to adopt a universal meal service provision, such as the Community Eligibility Provision or Provision 2



State intends to reimburse LEAs at the free meal rate, minus federal and state reimbursements for meals

All meals served must meet federal requirements for nutrition and reimbursement

There is no waiver for the program

What's Not in the Proposed Budget

Additional Pension Relief

The state's contribution to subsidize employer rates has run out

Both pension plans are projecting 2%+ increases in 2022-23

Augmented COLA

The current projected COLA of 5.33% reflects the estimated statutory COLA (i.e., minimum required by law)

UPP Solutions

Implementation of universal meals will likely have an immediate and direct impact on UPP

Final Thoughts

- **For the foreseeable future, COVID-19 will continue to preoccupy our collective work**
 - **This is doubly true right now, as the omicron wave crashes upon our schools**
- **Aside from any early action, the next State Budget check point is the May Revision**
 - **Between now and then, the Legislature discusses and debates the merits of the Governor's proposals and add some of their own to the conversation**
- **The Governor's Budget marks just the start of discussions about the best ways to marshal our resources for academic achievement**
- **Next stop . . . May Revision Workshop!**

What is Next

February – April 2022	Budget Advisory Committee Meetings – 2/23, 3/30, 4/20
February – March 2022	<ul style="list-style-type: none"> • LCAP Stakeholder Forums – DELAC & DAC – Meet in January, Parent Summit 2/2, FCLA 2/28, CSEA/FCEA – 2/9 & 2/14
March 2022	<ul style="list-style-type: none"> • Second Interim Budget
May 2022	<ul style="list-style-type: none"> • Governor’s May Revise • LCAP Draft
June 2022	<ul style="list-style-type: none"> • Adopt 2022-2023 Budget • Adopt 2022-2023 LCAP

