

# Governor's May Revision Update to the Proposed 2022-23 State Budget



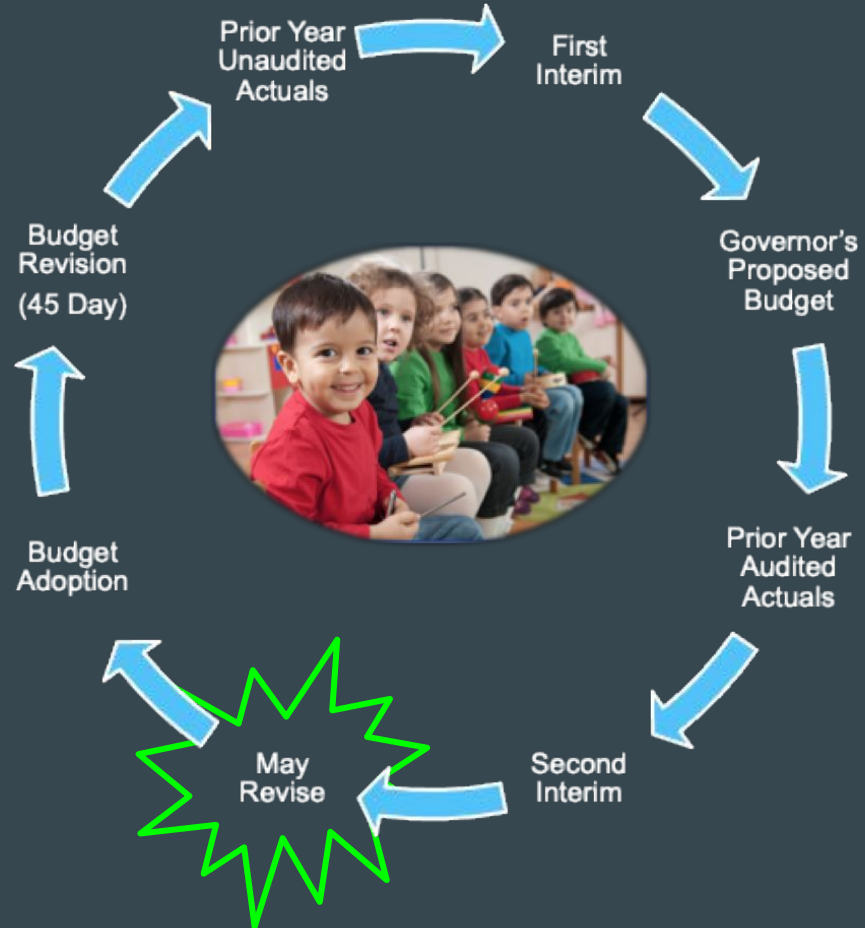
Santa Rosa City Schools

# Presentation Items

- The Annual Budget Cycle
- Overview of the 2022-23 May Revision and Economics
- Proposition 98 and Education Funding
- The May Revision and its Effects on Santa Rosa City Schools
- What's Not in the May Revision?
- Mandates Going into Effect July 1, 2022
- Next Steps

# Overview

## The Annual Budget Cycle



# Overview of the 2022-23 May Revision and Economics

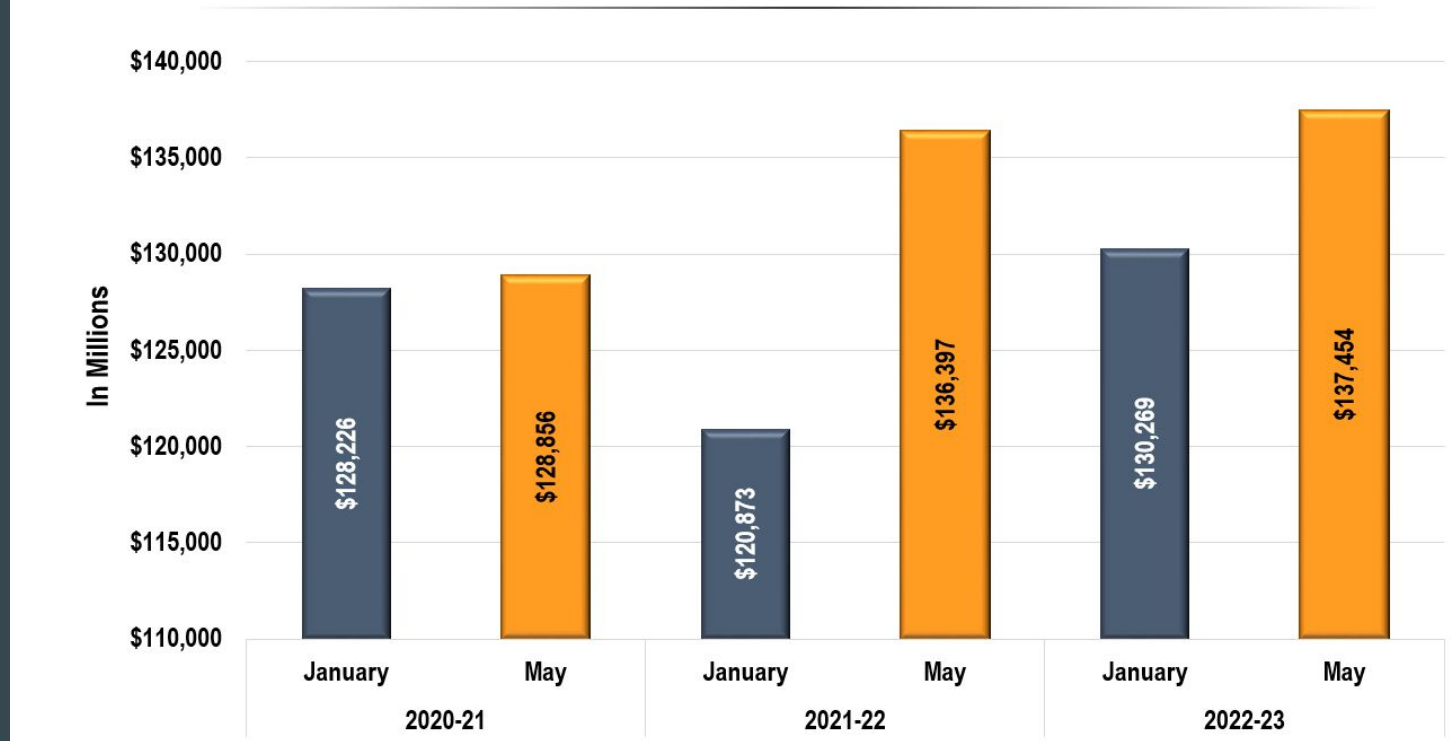
- The California State Budget is based on tax revenues. California uses these tax revenues to fund its State Agencies.
- Amongst the California State Agencies is the K through 12 Education Agency, which Santa Rosa City Schools is a part of.
- In order for State Agencies to operate their budgets, California follows a budget process for each fiscal year that runs from July 1 through June 30:
  - The State Constitution requires the Governor to submit a budget proposal to the Legislature by January 10 of each year for the following fiscal year beginning July 1
  - By May 14, the Governor must announce an updated revenue forecast, which accounts for changes in revenues since January
  - After its introduction, the Legislature has until June 15 to pass the budget
  - The Governor then has 12 working days to sign the budget bill into law after it's passing by the Legislature
- On Friday, May 13, 2022, the Governor issued his May Revision for the 2022-23 State Budget

# Overview of the 2022-23 May Revision and Economics

- The Governor's May Revision is the last statutory step in the State Budget process before the Legislature adopts the state's spending plan by June 15.
- The Newsom Administration has updated revenue projections and proposals based on the latest cash receipts and economic forecasts.
- The largest three tax sources for State revenues are
  - Personal Income Tax
  - Sales and Use Tax
  - Corporation Tax

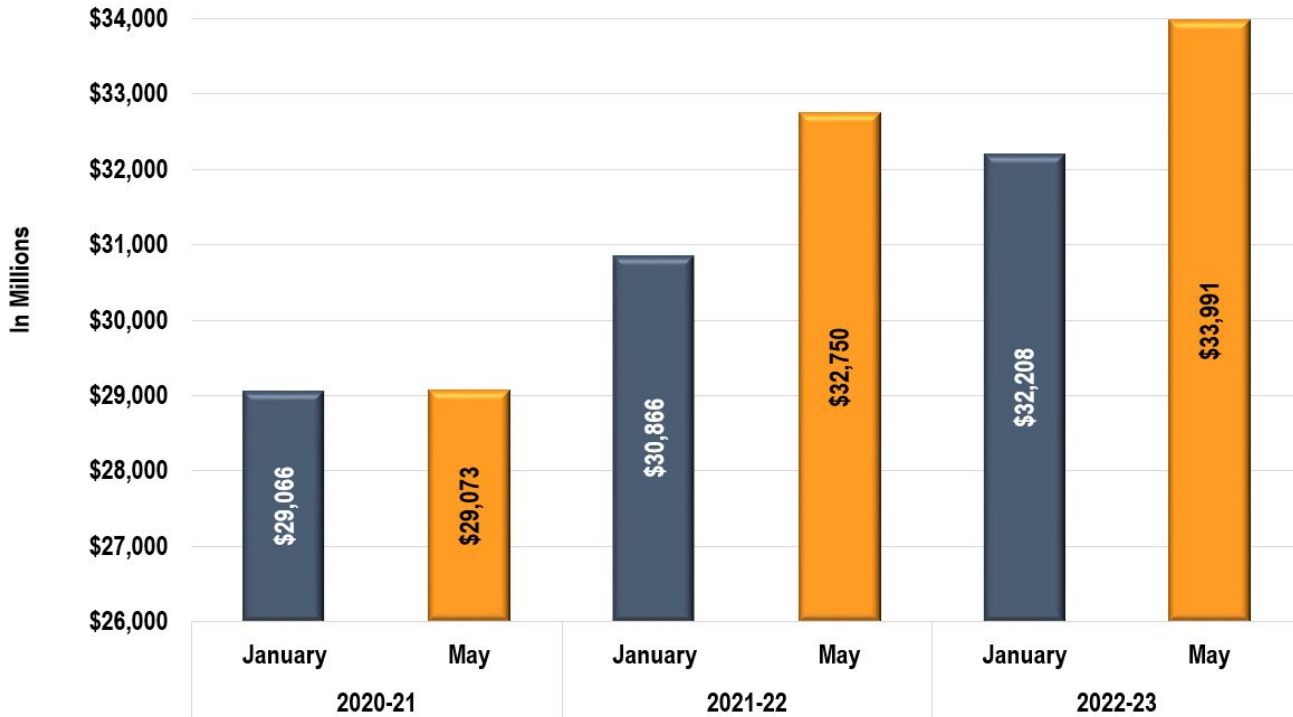
# Overview of the 2022-23 May Revision and Economics

## Personal Income Taxes—January to May



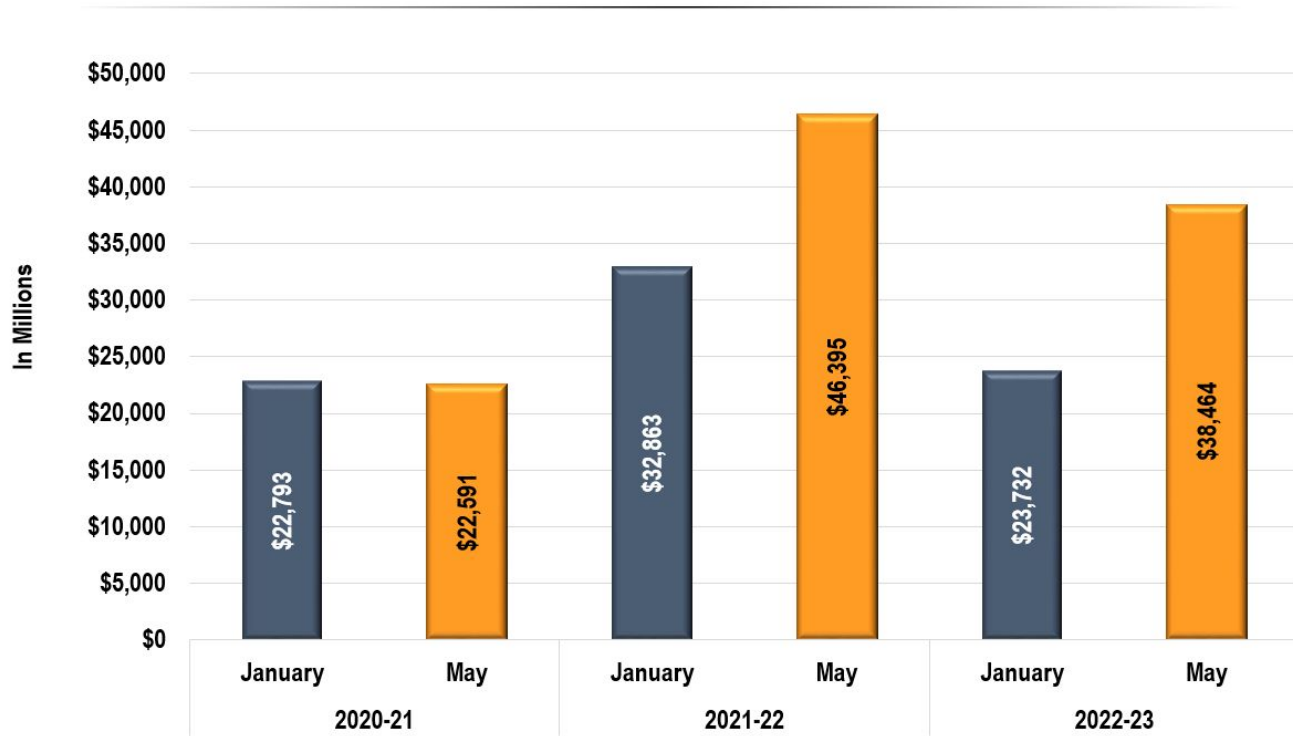
# Overview of the 2022-23 May Revision and Economics

## Sales and Use Taxes—January to May



# Overview of the 2022-23 May Revision and Economics

## Corporation Taxes—January to May



# Overview of the 2022-23 May Revision and Economics

## Long-Term Revenue Forecast Three Largest Sources (General Fund Revenue - Dollars in Billions)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Average Year-Over-Year Growth
Personal Income Tax	\$128.9	\$136.4	\$137.5	\$143.8	\$148.9	\$156.2	3.9%
Sales and Use Tax	\$29.1	\$32.7	\$34.0	\$35.1	\$36.2	\$37.3	5.2%
Corporation Tax	\$22.6	\$46.4	\$38.5	\$42.0	\$45.4	\$38.6	18.1%
<b>Total</b>	<b>\$180.5</b>	<b>\$215.5</b>	<b>\$209.9</b>	<b>\$220.9</b>	<b>\$230.6</b>	<b>\$232.2</b>	<b>5.4%</b>
Growth	29.5%	19.4%	-2.6%	5.3%	4.4%	0.7%	

# Overview of the 2022-23 May Revision and Economics

## Risks to the Budget and Long-Term Forecast

- The economy is facing significant headwinds and is beginning to enter turbulent territory
- Many factors pose significant risk to the economy, the State Budget, and the long-term forecast



**Inflation and fears of prolonged inflation pose the most immediate risk to the economy**

- Becoming widespread
- Could slow GDP
- Federal Reserve actions could cause a recession



**Supply chain bottlenecks continue to aggravate supply and demand, which exacerbates inflationary pressures**



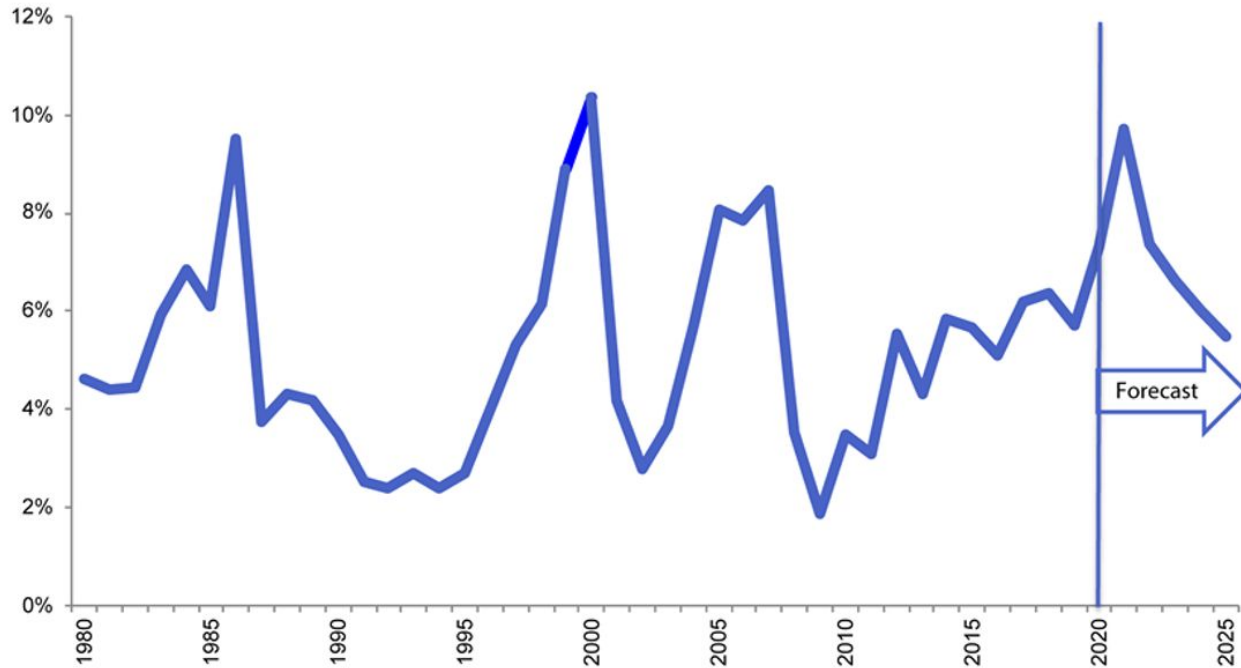
**The volatility of the stock market creates great uncertainty and risk for the economy and for state General Fund revenues because of our over-reliance on the state's wealthiest residents**



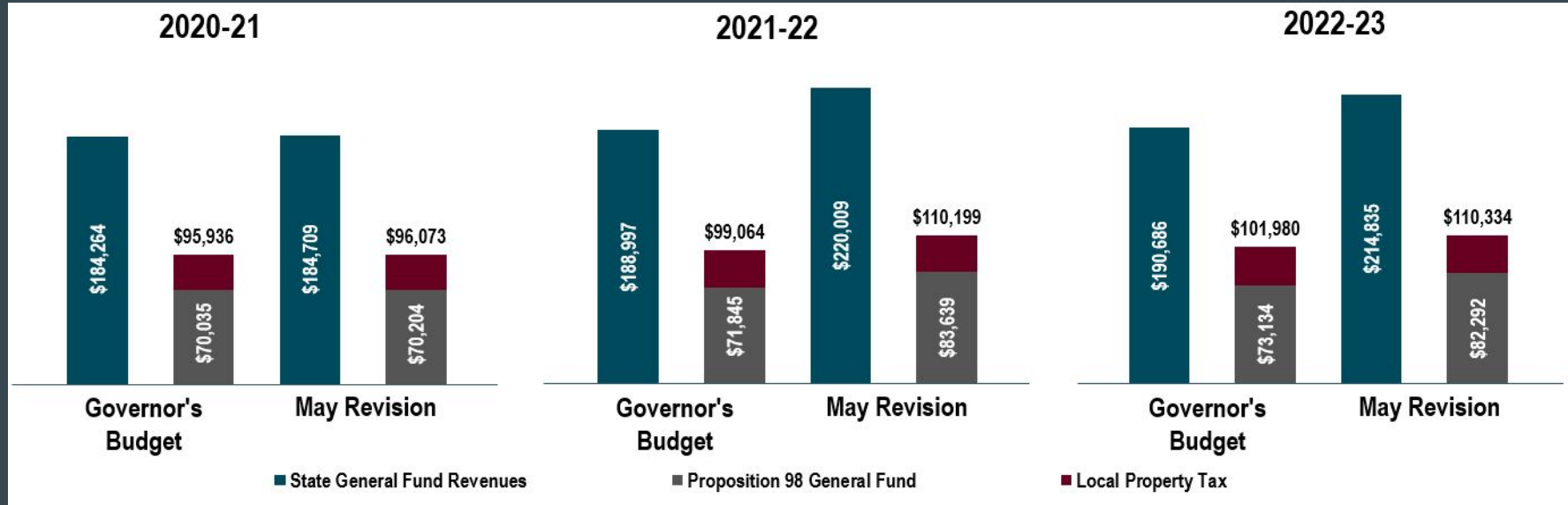
**The Ukraine-Russia War and potential surges in COVID-19 cases may worsen vulnerable economic conditions**

# Overview of the 2022-23 May Revision and Economics

## Capital Gains as a Share of Personal Income



# Proposition 98 and Education Funding



# The May Revision and its Effects on Santa Rosa City Schools

## Local Control Funding Formula (LCFF) updates with the May Revision

LCFF Planning Factors Governor's Budget vs. May Revision						
	2022-23		2023-24		2024-25	
	January	May	January	May	January	May
DOF Estimated COLA	5.33%	6.56%	3.61%	5.38%	3.64%	4.02%

- Inflation is affecting all businesses and Californians
- Cost of goods and services are projected to increase more dramatically in the near-term

**Declining Enrollment Protection**

Funding would be based on the greater of:

- Current-year ADA,
- Prior-year ADA,

or

Computed average ADA using the prior three years' ADA

**COVID-19 ADA Relief**

2021-22 ADA would be based on greater of:

- Attendance yield from 2019-20
- Attendance yield from 2021-22

**Declining Enrollment Protection**

Funding in 2021-22 would be based on the greater of:

- Current-year ADA
- Prior-year ADA

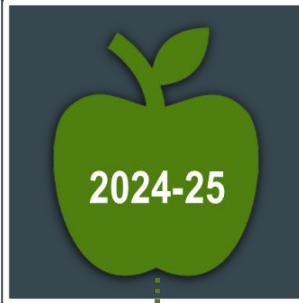
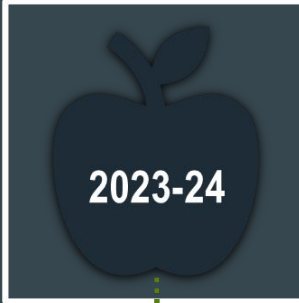
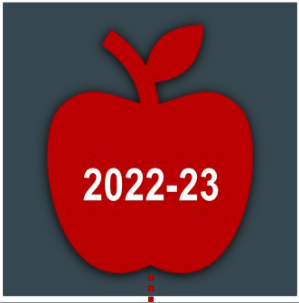
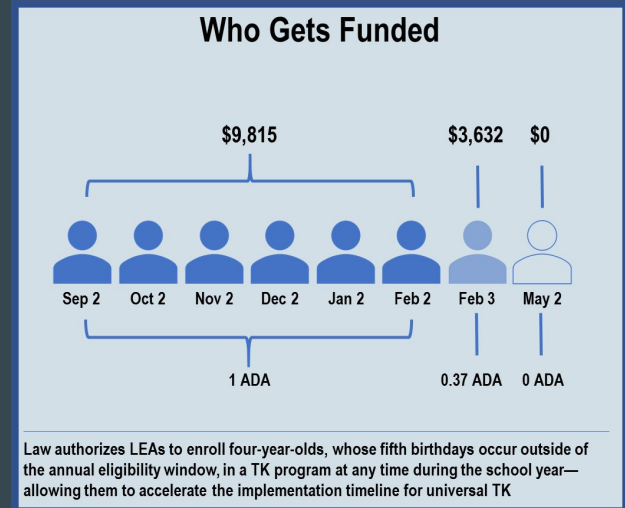
# The May Revision and its Effects on Santa Rosa City Schools

One-Time Discretionary Dollars (*Preliminary Numbers until Omnibus Trailer Bill Language is passed and signed.*)

	2021-22 P2 ADA	Discretionary Block Grant	Revenue
<b>Santa Rosa City District Schools</b>	11,828.66	\$1,500	\$17,742,990
<b>Santa Rosa French American Charter</b>	370.93	\$1,500	\$556,395
<b>Cesar Chavez Language Academy</b>	841.02	\$1,500	\$1,261,530
<b>Santa Rosa Charter School for the Arts</b>	360.48	\$1,500	\$540,720
<b>Santa Rosa Accelerated Charter</b>	121.16	\$1,500	\$181,740

# The May Revision and its Effects on Santa Rosa City Schools

## Universal Transitional Kindergarten



**Offer TK to four-year-olds whose fifth birthday occurs between September 2 and February 2; inclusive**

**Offer TK to four-year-olds whose fifth birthday occurs between September 2 and April 2; inclusive**

**Offer TK to four-year-olds whose fifth birthday occurs between September 2 and June 2; inclusive**

**Offer TK to four-year-olds whose fourth birthday occurs by September 1; inclusive**

- The TK ratio “Add-On” is \$2,813 per TK ADA, which is adjusted annually by COLA
- Beginning with the 2022-23 school year, schools are required to maintain average TK class sizes of 24 students and Classroom student teacher ratios of 12 to 1

# The May Revision and its Effects on Santa Rosa City Schools

## CalSTRS and CalPERS Employer Pension Contributions

Santa Rosa City District Schools				Santa Rosa Charter School for the Arts			
	2022-23	2023-24	2024-25		2022-23	2023-24	2024-25
January CalPERS:	26.10%	27.10%	27.70%	January CalPERS:	26.10%	27.10%	27.70%
May Revision CalPERS:	25.37%	25.20%	24.60%	May Revision CalPERS:	25.37%	25.20%	24.60%
Decrease to CalPERS:	-\$129,659.67	-\$340,845.09	-\$567,237.99	Decrease to CalPERS:	-\$2,202.34	-\$5,818.09	-\$9,777.45
Santa Rosa French American Charter				Santa Rosa Accelerated Charter			
	2022-23	2023-24	2024-25		2022-23	2023-24	2024-25
January CalPERS:	26.10%	27.10%	27.70%	January CalPERS:	26.10%	27.10%	27.70%
May Revision CalPERS:	25.37%	25.20%	24.60%	May Revision CalPERS:	25.37%	25.20%	24.60%
Decrease to CalPERS:	-\$3,596.12	-\$9,453.37	-\$15,886.63	Decrease to CalPERS:	-\$462.65	-\$1,222.22	-\$2,053.98
Cesar Chavez Language Academy				<ul style="list-style-type: none"> <li>The May Revision continues with the CalSTRS rates from January with no changes</li> </ul>			
	2022-23	2023-24	2024-25				
January CalPERS:	26.10%	27.10%	27.70%				
May Revision CalPERS:	25.37%	25.20%	24.60%				
Decrease to CalPERS:	-\$7,783.89	-\$20,563.34	-\$34,557.23				

# The May Revision and its Effects on Santa Rosa City Schools

## Expanded Learning Opportunities Program

- The May Revision proposes ongoing funding for the Expanded Learning Opportunities Program (ELOP) and ELOP Infrastructure Funds in 2022-23.

## Independent Study

- Continues to expire at the end of the current school year
- Updates timeline for collecting written agreement
- Increases threshold for tiered re-engagement triggers and removes proposed School Attendance Review Board referral requirement
- Includes synchronous instruction in instructional time and ADA calculations under specified parameters
- The May Revision newly proposes to exempt students who are enrolled in classroom instruction and participate in independent study due to specified medical, mental health, or substance abuse treatment from tiered re-engagement, synchronous instruction, and a plan to return to the classroom within 5 days.

# The May Revision and its Effects on Santa Rosa City Schools

## Nutrition

- The May Revision continues to include the January augmentation for the Universal Meals Program to provide two free meals per day to any student that requests a meal.

## Special Education

- Largely unchanged from January

## Deferred Maintenance

- The May Revision includes funding for deferred maintenance to be used for major repair or replacement of buildings, removal of hazardous materials, painting, and any other significant maintenance. It is required that districts set up a restricted account for this. The amount to Santa Rosa City Schools

## Educator Workforce

- The May Revision includes a maintained commitment to build the teacher pipeline and educator competency

# The May Revision and its Effects on Santa Rosa City Schools

## Reserve Cap

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

Caps district reserves at 10% using assigned/unassigned ending balance of General and Special Reserve For Other Than Capital Outlay Fund

District have multiple tools to address the reserve cap

<b>Commit Fund Balance</b>	<b>Contribution to Restricted Programs</b>	<b>Transfer to Other Funds</b>	<b>County Office Exemption</b>
<b>Unspent supplemental and concentration grant funds</b>  Technology refresh Textbook adoption Pension obligations	<b>Routine Restricted Maintenance</b>  Special Education	<b>Postemployment Benefits</b>  State School Facilities Special Reserve for Capital Outlay	<b>Exemption to the reserve cap can be granted for two consecutive years in a three-year period</b>

# What's Not in the May Revision?

## **Additional Pension Relief**

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

**Both pension plans will significantly increase in 2022-23**

## **Transportation Funding**

**Transportation funding remains inequitably distributed, is based on a decades-old formula, and receives zero COLA**

## **UPP Solutions**

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

# Mandates Going into Effect July 1, 2022

There are several significant mandates taking effect on July 1, 2022

## Universal Meals

- LEAs must provide free breakfast and lunch each school day to any student requesting a meal, regardless of free or reduced-price meal eligibility
- To receive state reimbursement, LEAs must participate in both the National School Lunch Program (NSLP) and School Breakfast Program

## Senate Bill (SB) 328—Late Start Time

- Requires the school day for middle schools and high schools to begin no earlier than 8:00 a.m. and 8:30 a.m., respectively
- Allows “zero period” for a limited number of pupils who do not generate ADA
- Law exempts rural school districts, but does not define “rural,” so the onus is on districts to self-identify

## AB 367—Menstrual Products

- Requires all public schools serving any grades 6-12 to stock an adequate supply of free menstrual products in all women’s restrooms and all-gender restrooms, and at least one men’s restroom
- The Education Mandated Cost Network will be filing a test claim for this mandate with the Commission on State Mandates

## FAFSA/CADAA Requirement

- Requires an LEA to ensure that all their 12<sup>th</sup> grade students submit a Free Application for Federal Student Aid (FAFSA) or a California Dream Act application (CADAA)
- The parents/guardians or the student (if 18) may opt out of the requirements of this section

# What's Next

- Uncertainty of funding until the omnibus trailer bill
- Governor is just one voice in the state's 2022-23 budget, and he cannot pass the budget alone
- SRCS 2022-23 Budget & LCAP Public Hearing
- SRCS 2022-23 Budget & LCAP Adoption
- State Final budget deal between the Governor and Legislature by June 15