

Governor's Proposals for the 2023-24 State Budget and K-12 Education

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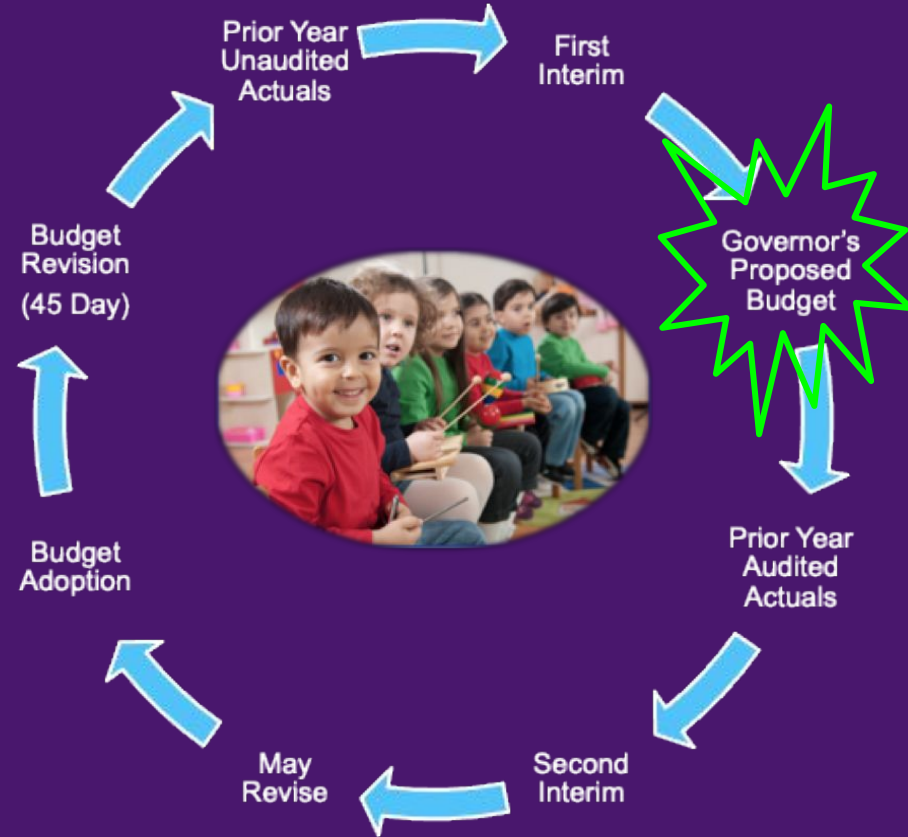


Presentation Items

- Overview
- Proposed State Budget and the State Economy
- Proposed Proposition 98 and Education Funding
- Proposed State Budget and Santa Rosa City Schools Impacts
- Areas to Monitor
- Next Steps
- Questions

Overview

The Annual Budget Cycle



Proposed State Budget and the State Economy

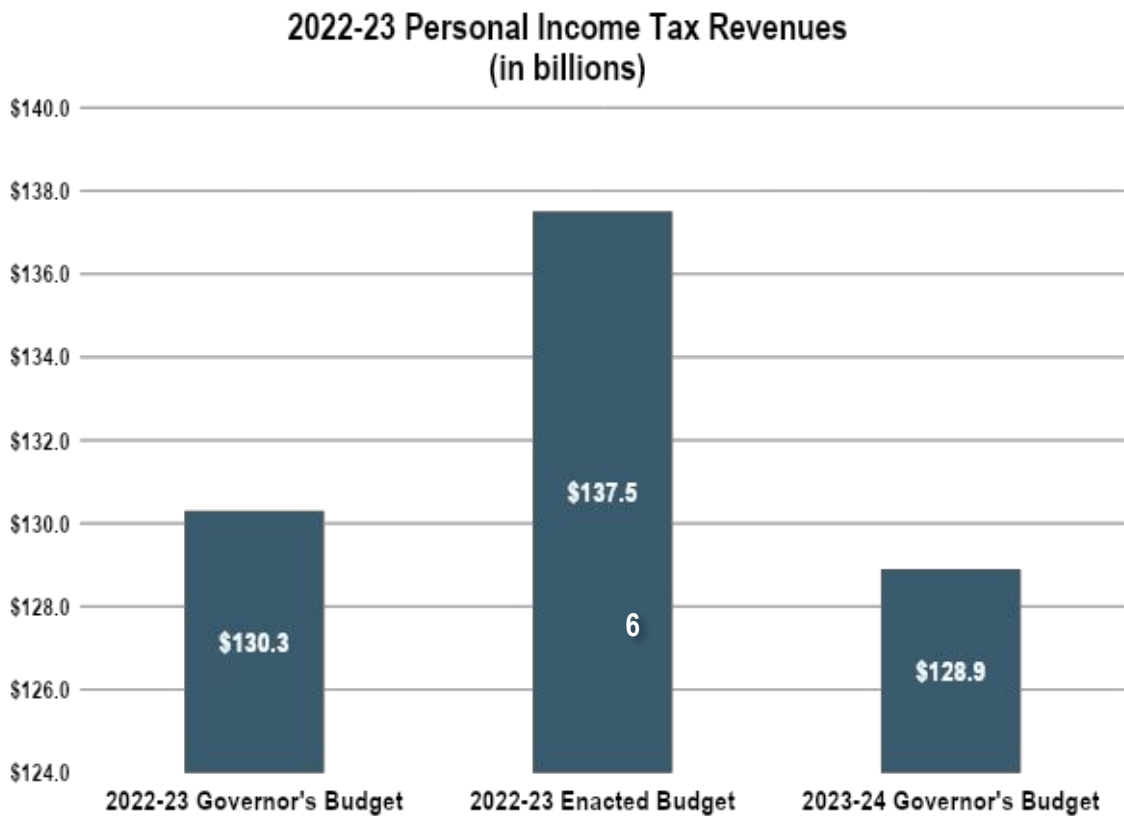
General Fund Budget Summary

2023-24 Governor's Budget in millions		
	2022-23	2023-24
Prior-Year Balance	\$52,713	\$21,521
Revenues and Transfers	\$208,884	\$210,174
Total Resources Available	\$261,597	\$231,695
Non-Proposition 98 Expenditures	\$160,973	\$143,060
Proposition 98 Expenditures	\$79,103	\$80,554
Total Expenditures	\$240,076	\$223,614
Fund Balance	\$21,521	\$8,081
Reserve for Liquidation of Encumbrances	\$4,276	\$4,276
Special Fund for Economic Uncertainties	\$17,245	\$3,805
Public School System Stabilization Account	\$8,108	\$8,473
Safety Net Reserve	\$900	\$900
Budget Stabilization Account/Rainy Day Fund	\$21,487	\$22,398

Source: Governor's Budget Summary, page 10

Changing Assumptions From the State

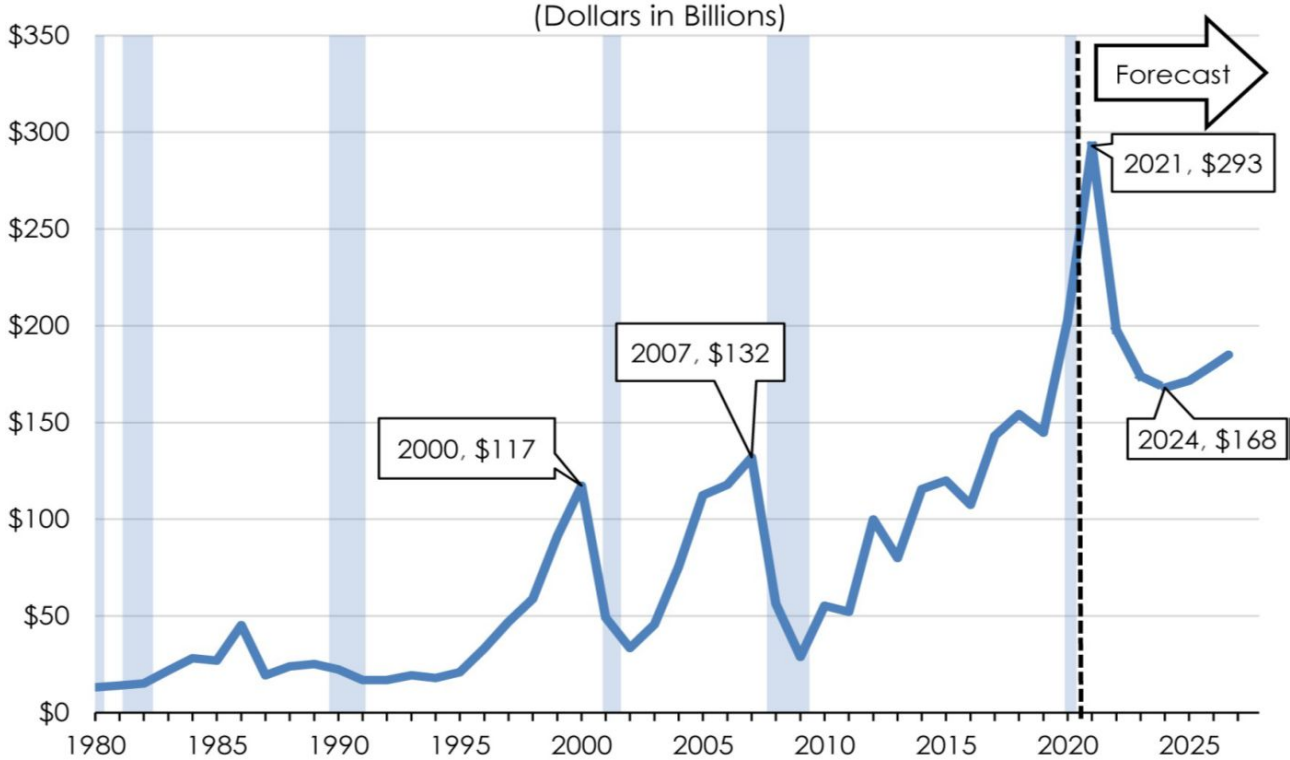
- Six months before the start of the 2022-23 fiscal year, personal income tax projected \$130.3 billion
- Increased to \$137.5 billion Enacted Budget = \$2.8 billion dollars for K-14 education
- Now \$128.9 billion = reduction of \$3.2 billion
 - Approximately \$600 per ADA



Risks to the Budget

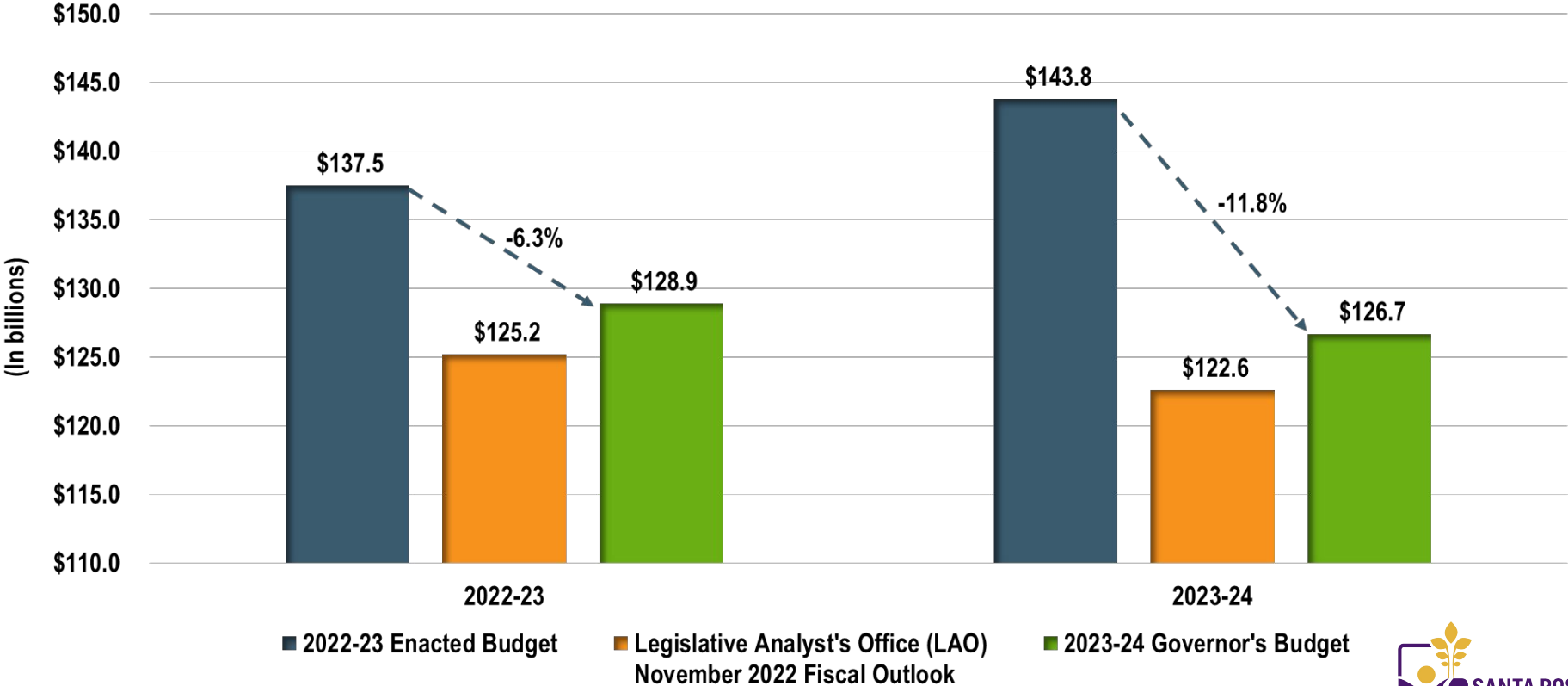
- California's volatile tax system
- The Governor's Budget forecast assumes slower economic growth but does **not** assume a recession
- COVID-19 in the U.S. and abroad
- Inflation
- Further decline of the stock market
- Declining enrollment
- Attendance rates
- Recession?

Capital Gains Realizations

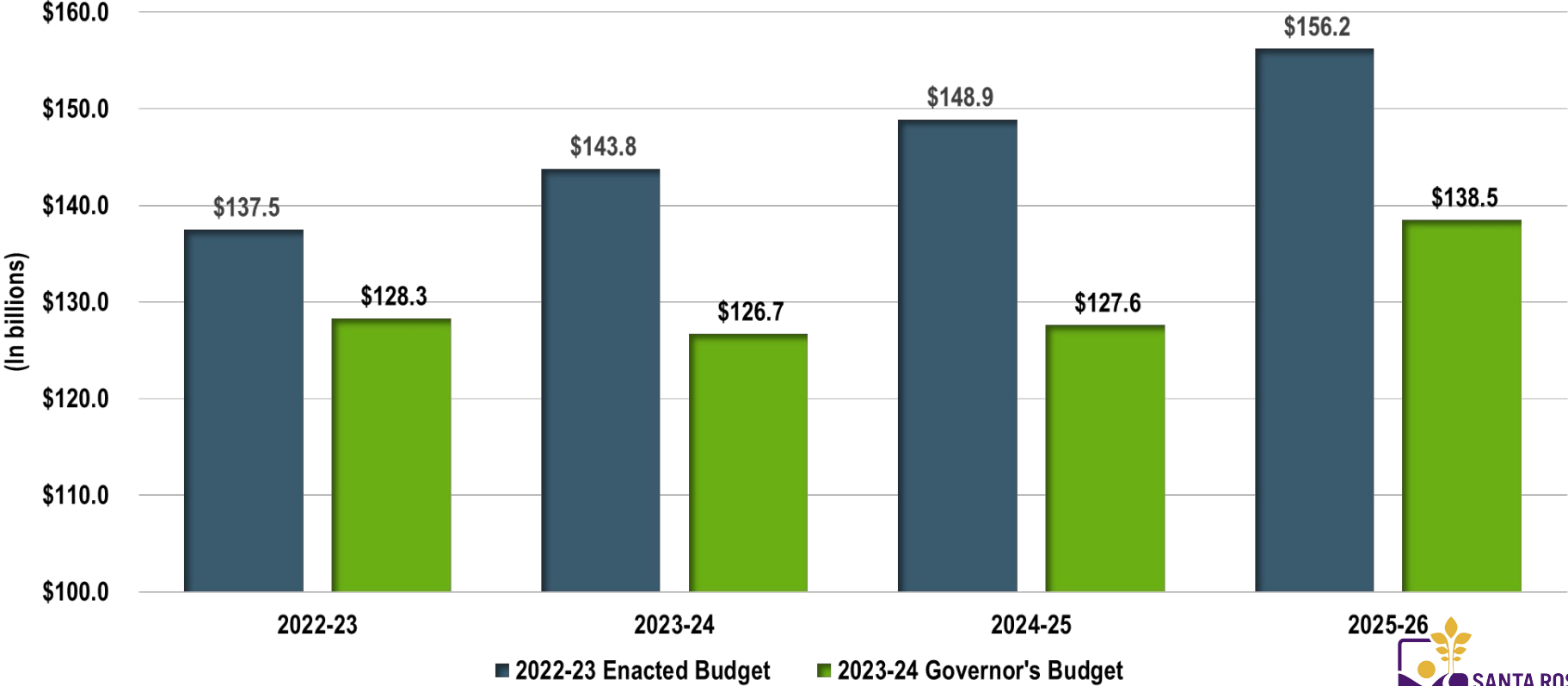


Shaded areas indicate previous U.S. recessions.
Source: California Department of Finance, 2023-24 Governor's Budget Forecast.

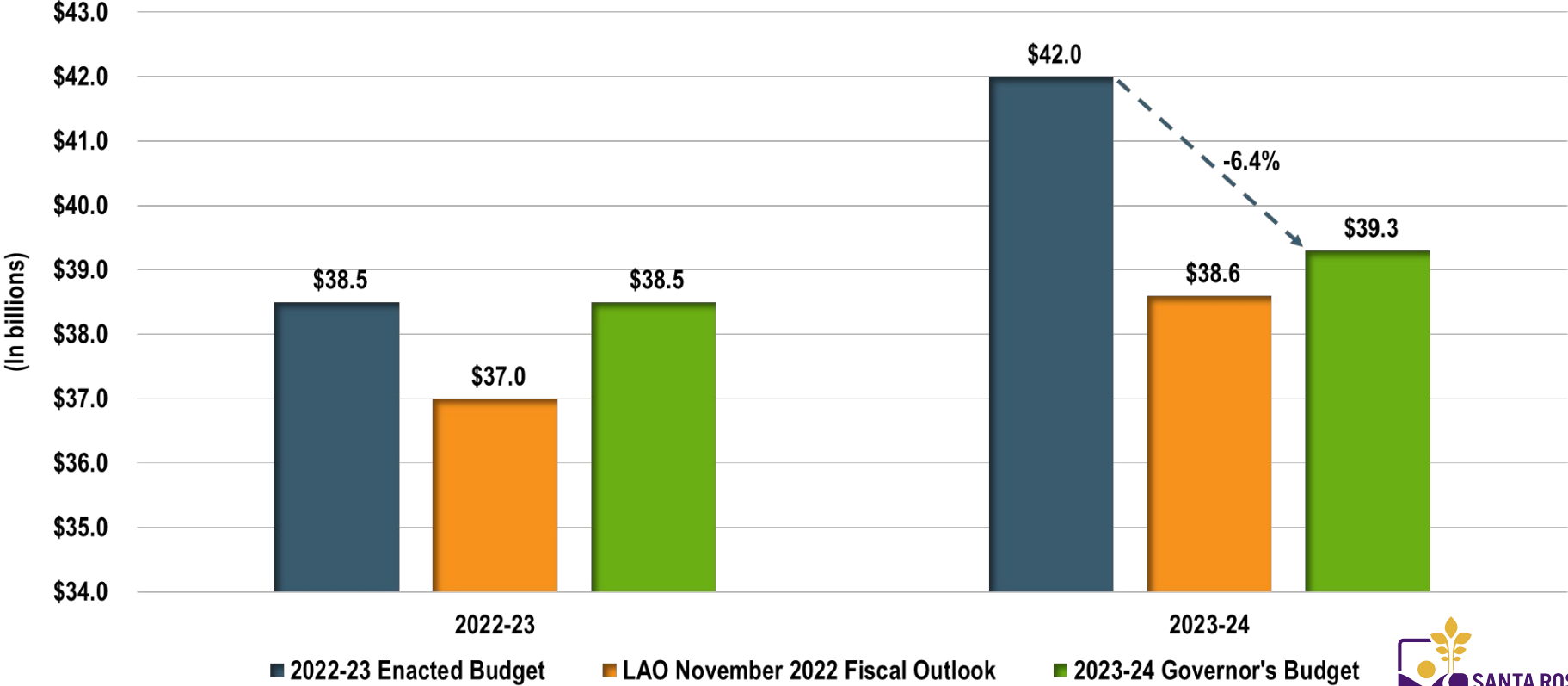
Personal Income Tax



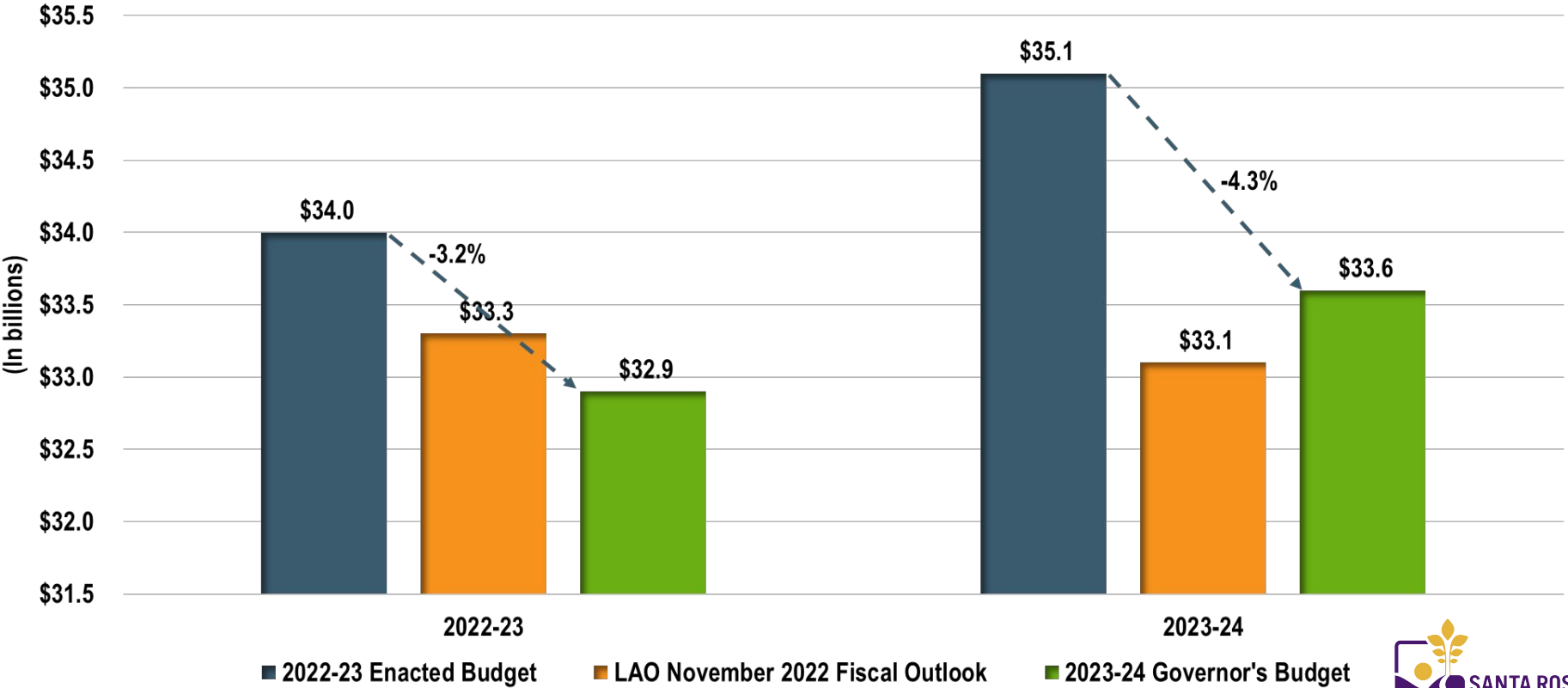
Personal Income Tax—Long-Term Forecast



Corporation Tax



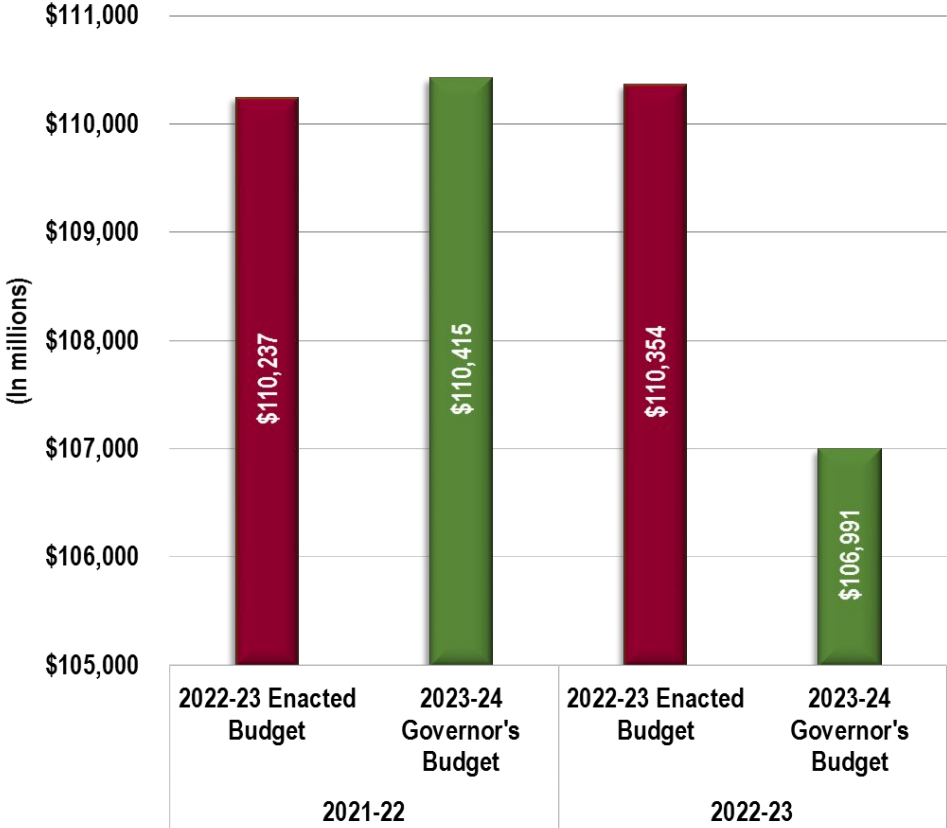
Sales and Use Tax



Proposition 98 and Education Funding

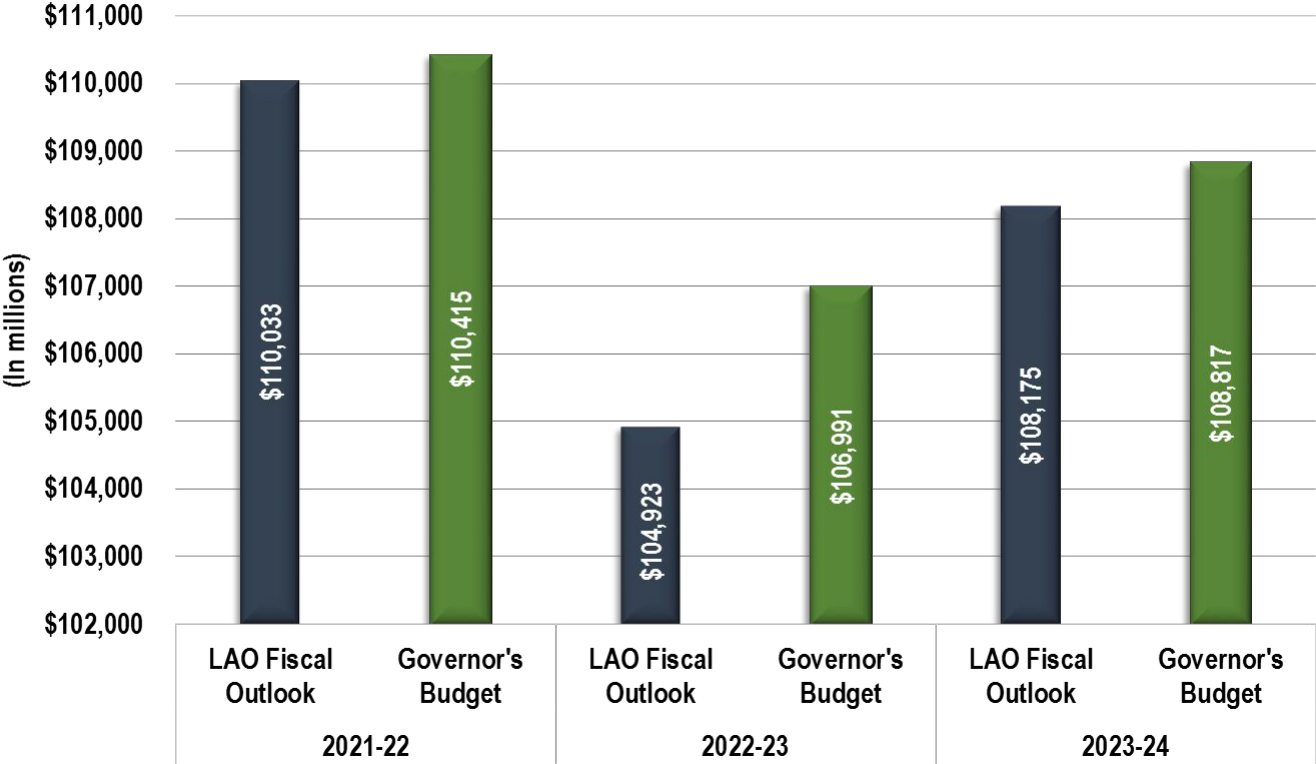
Proposition 98 Adjustments

- Governor’s Budget includes a three-year period
- The Governor’s Budget:
 - ***Increases*** funding in 2021-22 by approximately \$200 million
 - ***Reduces*** funding in 2022-23 by approximately \$3.4 billion

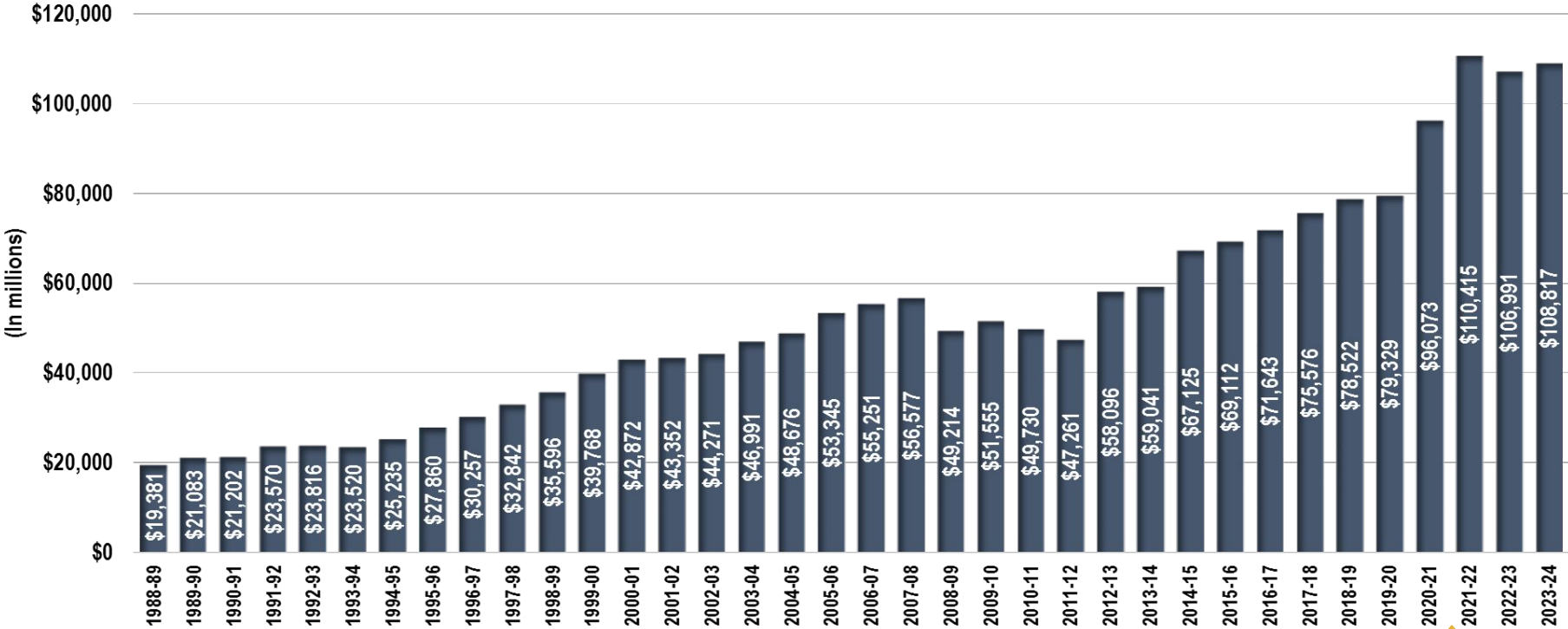


Proposition 98 Adjustments

Governor's Budget vs. Legislative Analyst

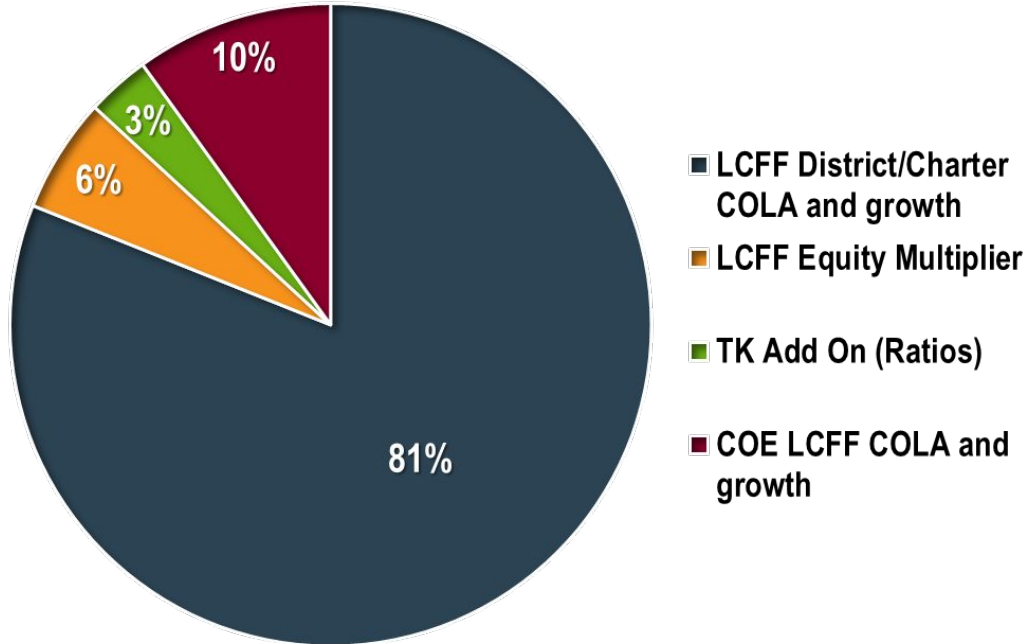


Proposition 98 Adjustments



Overview of Major K-12 Spending Proposals

2023-24 LCFF



- The largest K-12 investment is in the LCFF with the cost-of-living adjustment (COLA)
- Few new ongoing and one-time categorical programs
- Proposed “sweep” of funding for 2022-23 Arts, Music, and Instructional Material Block Grant (mid-year reduction)

2023-24 LCFF Overview

School Services of California (SSC) School District and Charter School Financial Projection Dashboard:

8.13%

Statutory COLA

Proposed to be fully funded, State is utilizing one-time funding

2023-24 Governor's Budget Proposal	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
LCFF Funded COLA - Statutory COLA & Augmentation/Suspension	3.26%	0.00%	5.07%	13.26%	8.13%	3.54%	3.31%
Statutory COLA (as calculated by the Department of Finance)	3.26%	2.31%	1.70%	6.56%	8.13%	3.54%	3.31%
Augmentation/(COLA Suspension)	0.00%	-2.31%	3.37%	6.70%	0.00%	0.00%	0.00%
2022-23 Enacted Budget	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
LCFF Funded COLA - Statutory COLA & Augmentation/Suspension	3.26%	0.00%	5.07%	13.26%	5.38%	4.02%	3.72%
Statutory COLA (as calculated by the Department of Finance)	3.26%	2.31%	1.70%	6.56%	5.38%	4.02%	3.72%
Augmentation/(COLA Suspension)	0.00%	-2.31%	3.37%	6.70%	0.00%	0.00%	0.00%

Receive Dollars, Not Percentages

Sample District

(All 4th through 6th Graders—2% Declining Enrollment)

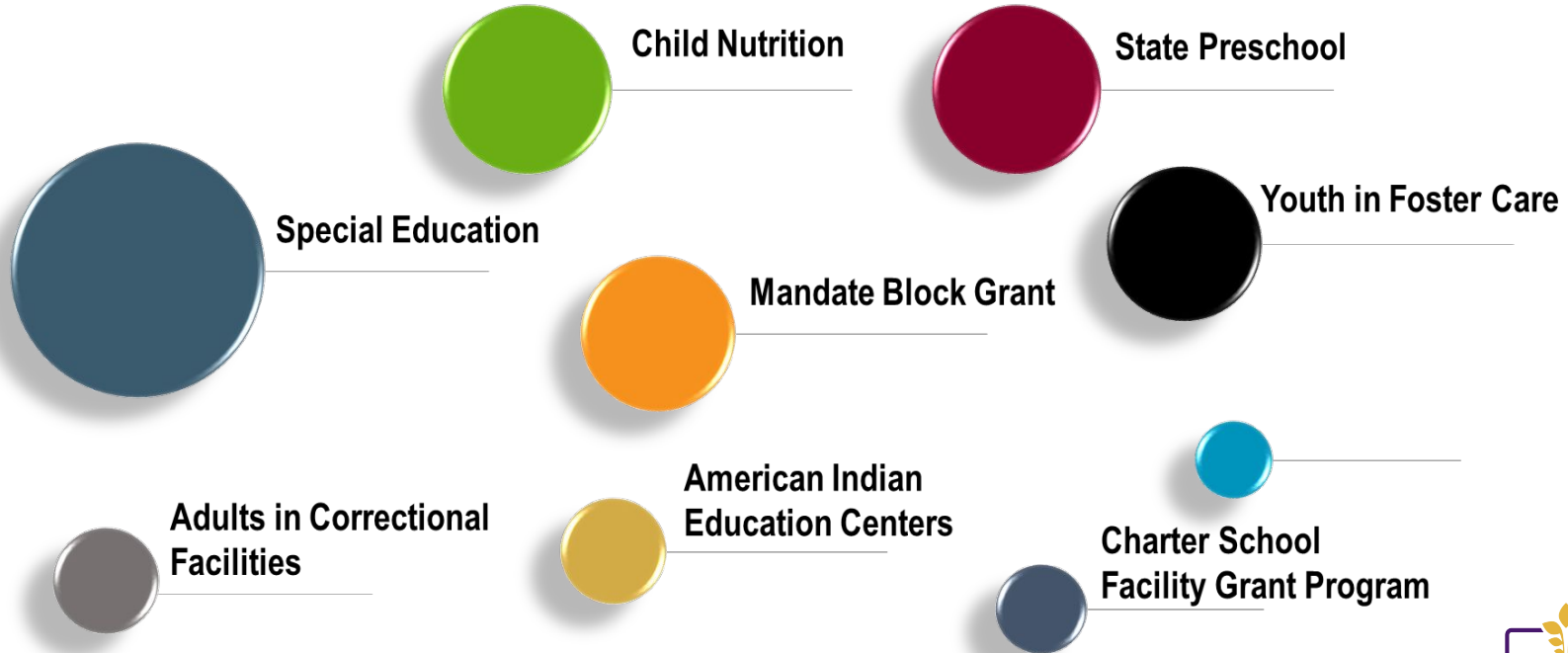
Year	Funded ADA	Base Grant \$ Per ADA		Total Funds
2022-23	10,000	×	\$9,304	= \$93,040,000
2023-24	9,800	×	\$ 9,304	
			+ <u>756</u> COLA (8.13%)	
			= \$10,060	= \$98,588,000

Dollar Increase	\$5,548,000
Percent Change Year over Year	= 5.60%



Categorical Program COLA

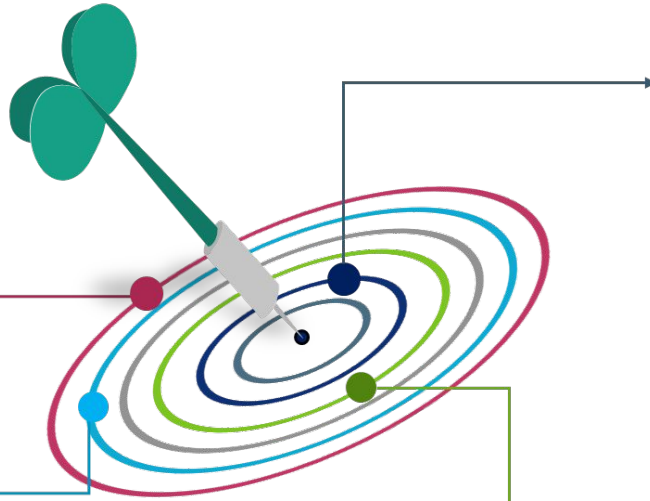
The Governor's Budget includes funding for a 8.13% COLA for multiple programs outside of the LCFF



Proposed State Budget and Santa Rosa City Schools Impacts

Multiyear Projections

Multiyear projections are required by Assembly Bill (AB) 1200 and AB 2756



Projections are anchored in reliable information as of the date of the projection

Projections will change any time the underlying factors change

Projections must be documented, because they will change

2023-24 LCFF Overview

2023-24 Governor's Budget Proposal	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
LCFF Funded COLA - Statutory COLA & Augmentation/Suspension	3.26%	0.00%	5.07%	13.26%	8.13%	3.54%	3.31%
SRCS Updated LCFF Revenue Projection with 2023-24 Governor's Budget Proposal	\$140,575,523	\$137,872,344	\$143,772,400	\$158,998,467	\$167,105,535	\$169,429,527	
2022-23 Enacted Budget	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
LCFF Funded COLA - Statutory COLA & Augmentation/Suspension	3.26%	0.00%	5.07%	13.26%	5.38%	4.02%	3.72%
SRCS 2022-23 1st Interim LCFF Revenue	\$140,575,523	\$137,872,344	\$143,772,400	\$158,998,467	\$162,873,601	\$165,894,603	
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
SRCS Change to LCFF Revenue Projection	\$0	\$0	\$0	\$0	\$4,231,934	\$3,534,924	

Yellow highlighted areas indicate our current Multi Year Projection (MYP) current year plus two future years
 Revenue Projections are based on Average Daily Attendance (ADA) Projections that are not known yet



2022-23 Arts, Music, and Instructional Material Block Grant—Proposed Funding Reduction

- The Governor’s Budget proposes an approximate one third reduction in the one-time funding provided in the 2022-23 Enacted Budget package.

	2022-23
SRCS Updated Arts, Music, and Instructional Material Block Grant Revenue Projection with 2023-24 Governor's Budget Proposal	\$5,211,285
SRCS 2022-23 1st Interim Arts, Music, and Instructional Material Block Grant Revenue	\$7,895,886
SRCS Change to Arts, Music, and Instructional Material Block Grant Revenue Projection	-\$2,684,601

CalSTRS & CalPERS Employer Contribution Rates

- The Governor does not include any new funding towards California State Teachers' Retirement System (CalSTRS) relief and continues to projects an employer contribution rate of 19.10% for 2023-24 and the next several years.
- Governor Newsom did not propose providing CalPERS relief.
- Based on the latest information from CalPERS, the employer contribution rate for 2023-24 would increase from the current rate of 25.37% to 27.00%

Year	Prior Projections per SSC Dartboard	SRCS 2022-23 1st Interim CalPERS	Projected Rates per Most Recent CalPERS Actuarial Report	SRCS Updated CalPERS Projection with 2023-24 Governor's Budget Proposal	SRCS Change to CalPERS Projection %	SRCS Change to CalPERS Projection \$
2022-23	25.37%	\$7,717,392	25.37%	\$7,717,392	0.00%	\$0
2023-24	25.20%	\$7,604,174	27.00%	\$8,147,329	1.80%	\$543,155
2024-25	24.60%	\$7,534,469	28.10%	\$8,606,446	3.50%	\$1,071,977
2025-26	23.70%		28.80%		5.10%	

Yellow highlighted areas indicate our current Multi Year Projection (MYP) current year plus two future years

What's Not in the Proposed Budget?

Myriad Categorical Programs

This Governor's Budget lacks the litany of one-time and ongoing new categorical programs as nearly all revenues are needed to maintain current programs



Pension Relief

While Governor Newsom applauds the paydown of pension debt in past years, no relief is provided as CalPERS rates increase and CalSTRS rates remain high



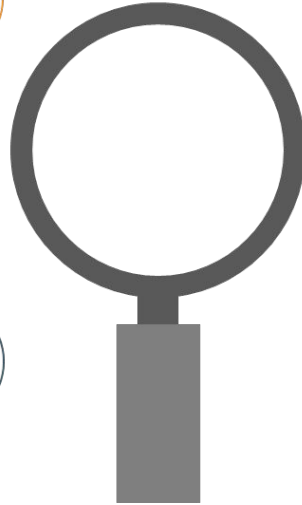
Reserve Withdrawal

The Governor is holding back on using Rainy Day funds, but may need to play that card if economic conditions worsen



Covid-Related Relief

A first since May 2020, not a single K-12 proposal appears tied to the COVID-19 pandemic



Areas to Monitor

- Final budget in June
- Inflation, rising interest rates, supply chain issues, and the struggling stock market
- The Governor's forecast assumes slower economic growth, but not a recession
- Most economists believe that a mild recession will occur in 2023 or 2024
- Governor's 2023-24 Budget Proposal is utilizing one-time funding for ongoing expenses
- Prior year one-time funding and categorical grant spending deadlines
- Declining enrollment and Average Daily Attendance (ADA) rates
- Employee negotiations / Collective Bargaining

Next Steps

February 2023

- Budget Advisory Committee (BAC)
- If needed Approval of FSP-P1

March 2023

- BAC
- Next Santa Rosa City Schools Budget Check Point - 2022-23 Second Interim Report

April 2023

- BAC

May 2023

- Next State Budget Check Point - Governor's 2023-24 Budget May Revise
- If necessary Third Interim
- BAC

June 2023

- 2022-23 Estimated Actuals
- 2023-24 Budget and LCAP Public Hearings and Adoptions
- State Enacted 2023-24 Budget

July, August & September 2023

- Santa Rosa City Schools 45 Day 2023-24 Budget Update
- 2022-23 Unaudited Actuals

Board Member Questions

