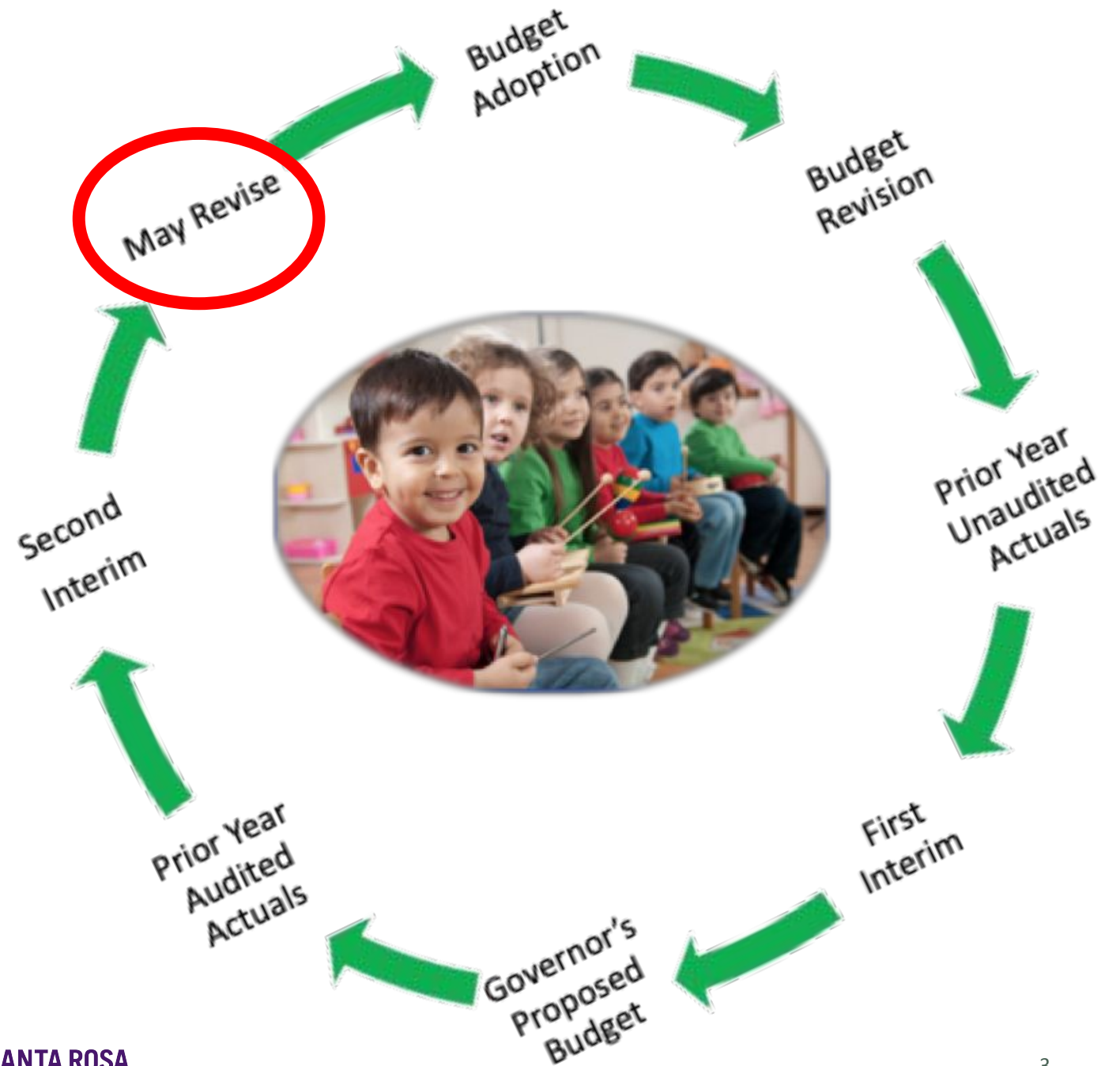


Governor's May Revision Update to the Proposed 2021-22 State Budget

Presentation Items

- ❑ The Annual Budget Cycle
- ❑ Overview of the 2021-22 May Revision and Economics
- ❑ Proposition 98 and Education Funding
- ❑ The May Revision and its Effects on Santa Rosa City Schools
- ❑ Items under consideration in the May Revision
- ❑ Next Steps

The Annual Budget Cycle

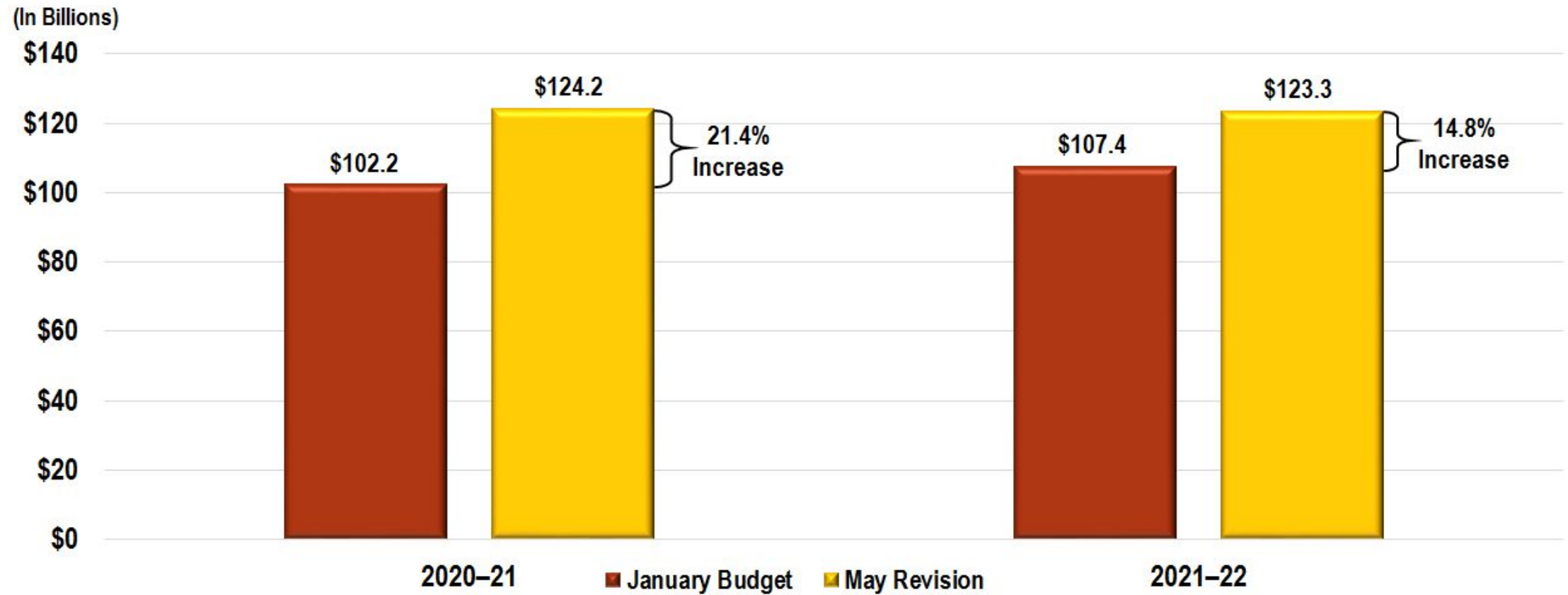


Overview of the 2021-22 May Revision and Economics

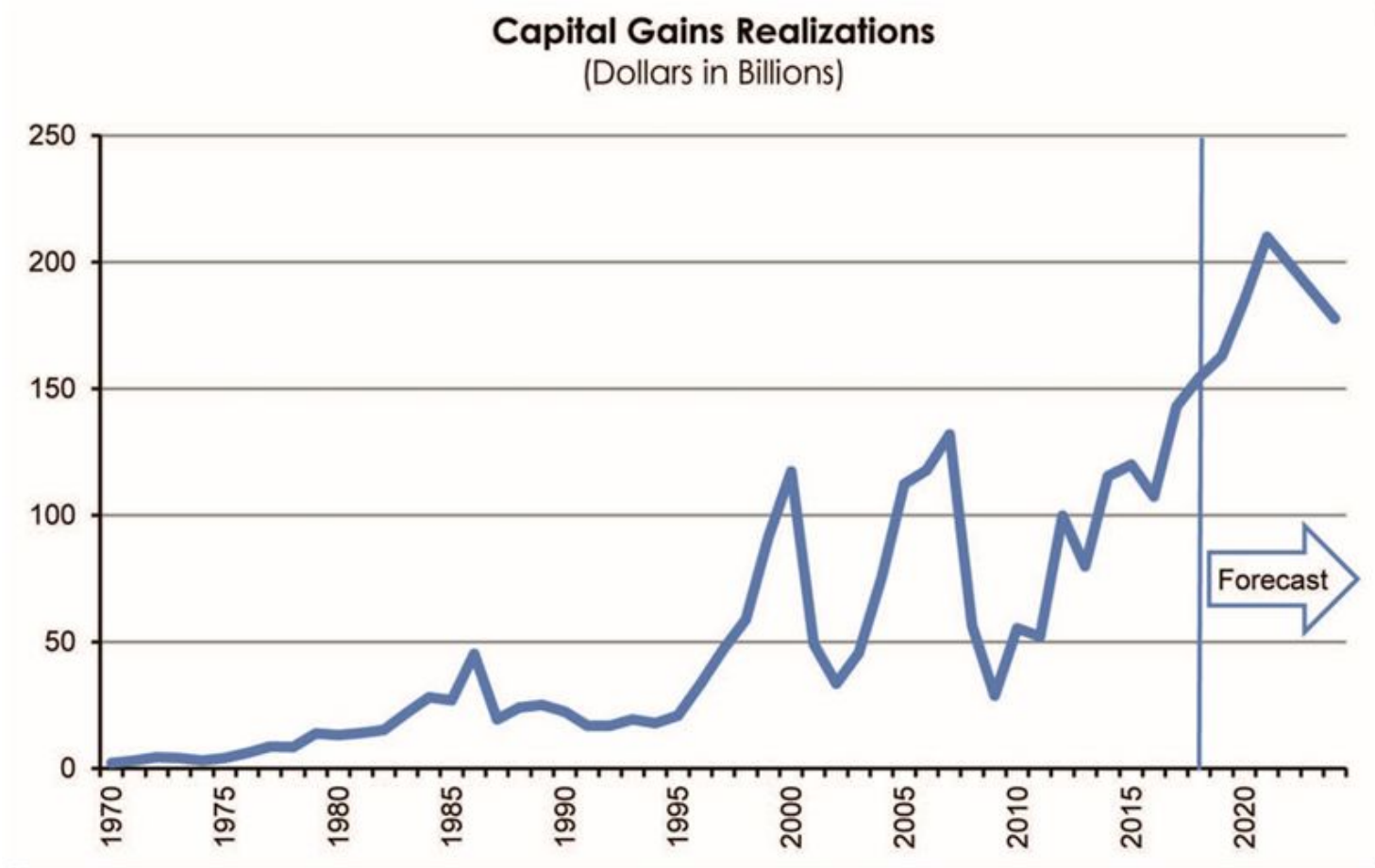
Economic Effects of COVID-19

- ❑ 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
- ❑ Leading up to the May Revision, Governor Gavin Newsom announced that the state was facing a \$100 billion surplus, dubbed the "California Comeback Plan"
 - ❑ \$76 billion from extra state revenues and \$25 billion from federal resources
- ❑ The forecasted \$54 billion deficit of one year ago is a distant memory
- ❑ While California's coffers are overrun, not all Californians' bank accounts are experiencing the same
 - ❑ California's unemployment rate was at 8.3% in March 2021
 - ❑ \$12 billion of the California Comeback Plan is direct cash payments to expand the Golden State Stimulus

Estimate for Personal Income Tax

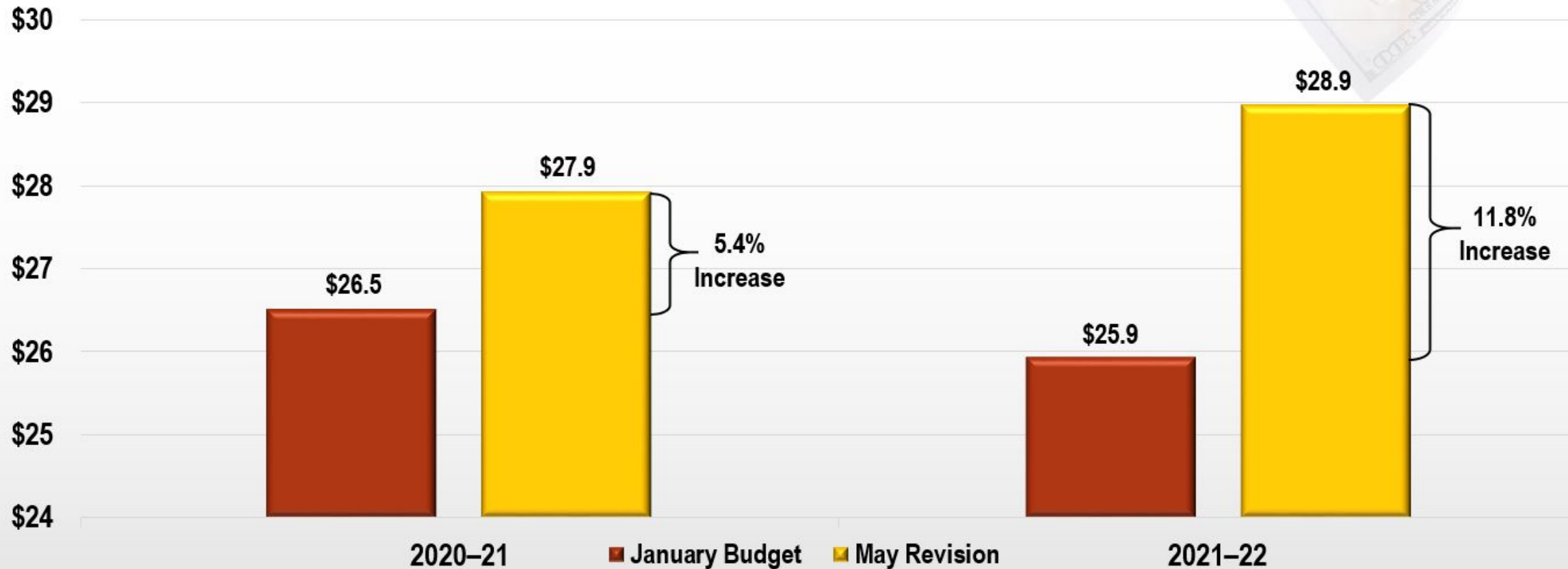


Capital Gains Realizations

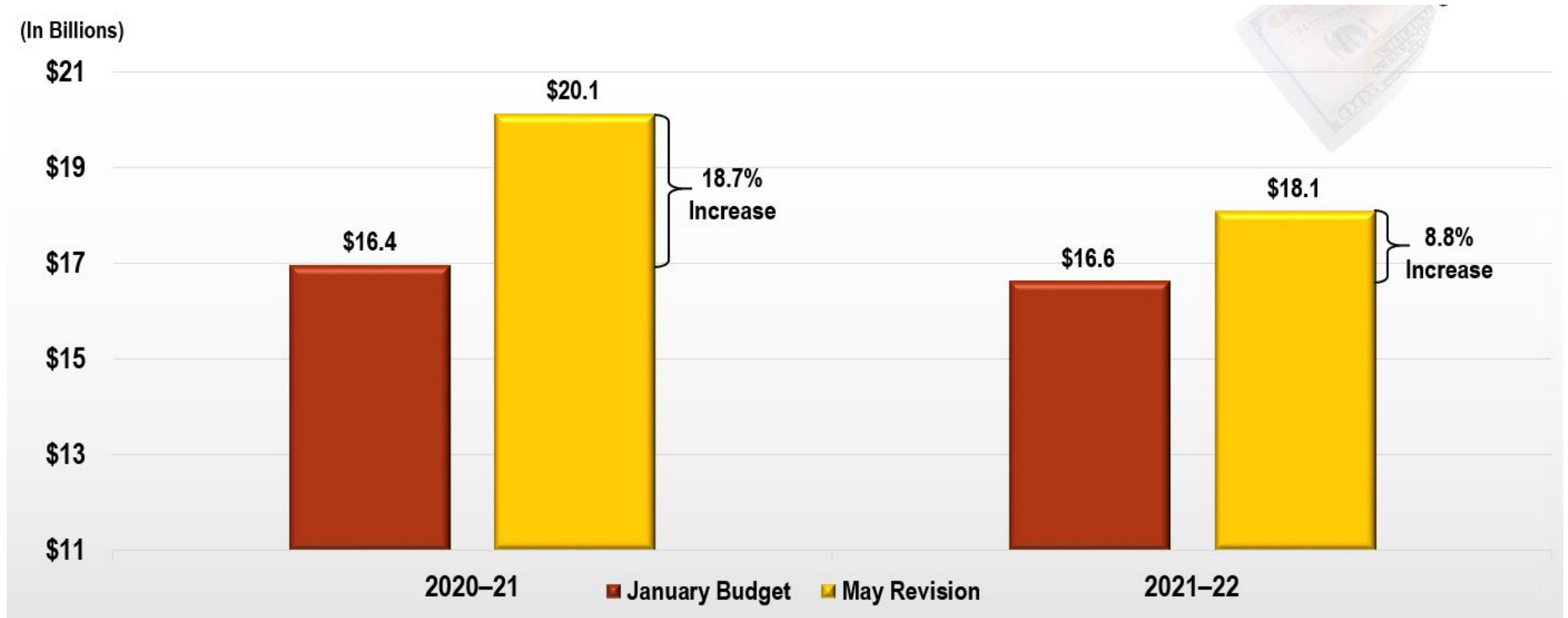


Estimate for Sales and Use Tax

(In Billions)



Estimate for Corporate Tax



Proposition 98 and Education Funding

Education Funding for 2021–22

2021–22 Funding
Governor's Budget vs. May Revision



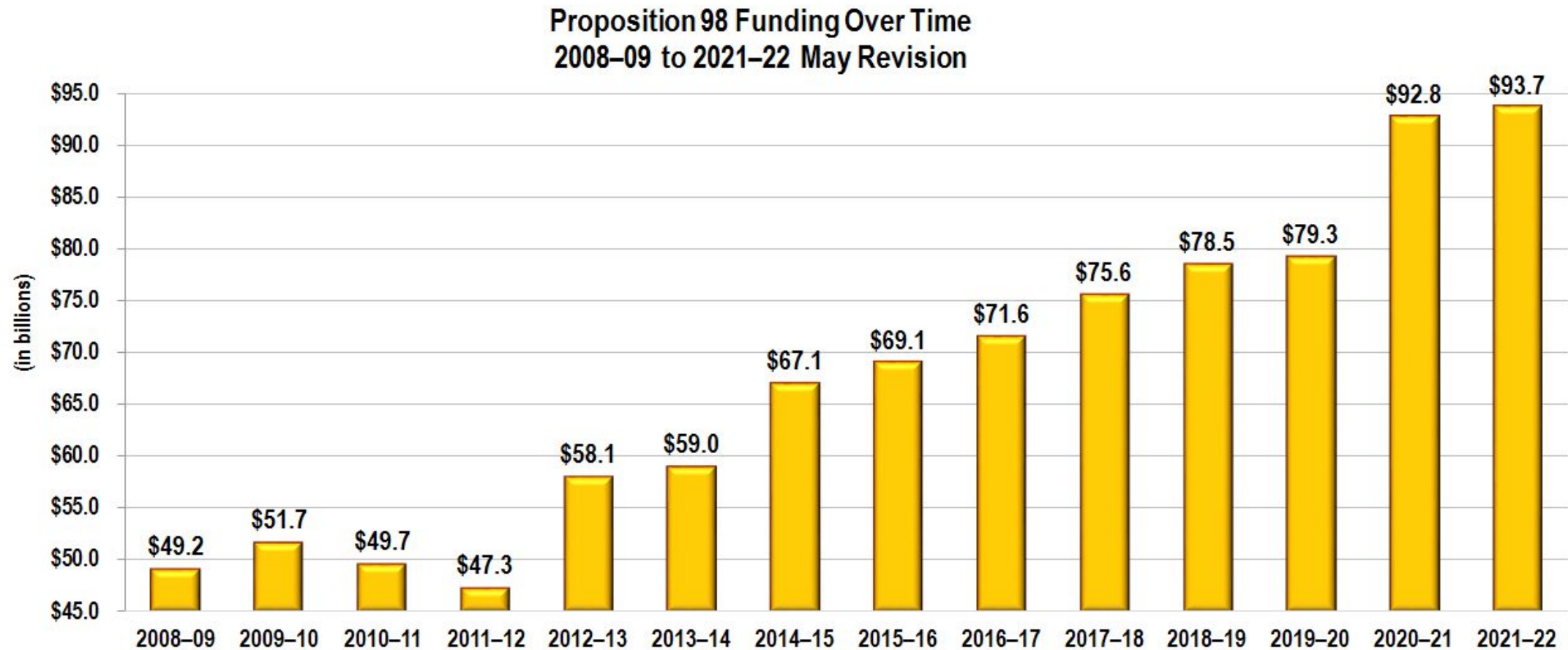
Education Funding for 2021–22

- In addition to updating the Proposition 98 minimum guarantee estimates for 2021–22, the May Revision also updates the estimates for the current and prior fiscal years, or 2020–21 and 2019–20, respectively
- In each of these fiscal years, the minimum guarantee is adjusted for a total increase over January estimates of nearly \$10 billion

	Governor's Budget	May Revision
2019–20	\$79.5 billion	\$79.3 billion
2020–21	\$82.8 billion	\$92.8 billion

- The growth in the minimum guarantee brings per-student revenues to \$13,977—an historic high for California

Education Funding for 2021–22



Governor's Budget vs. May Revision

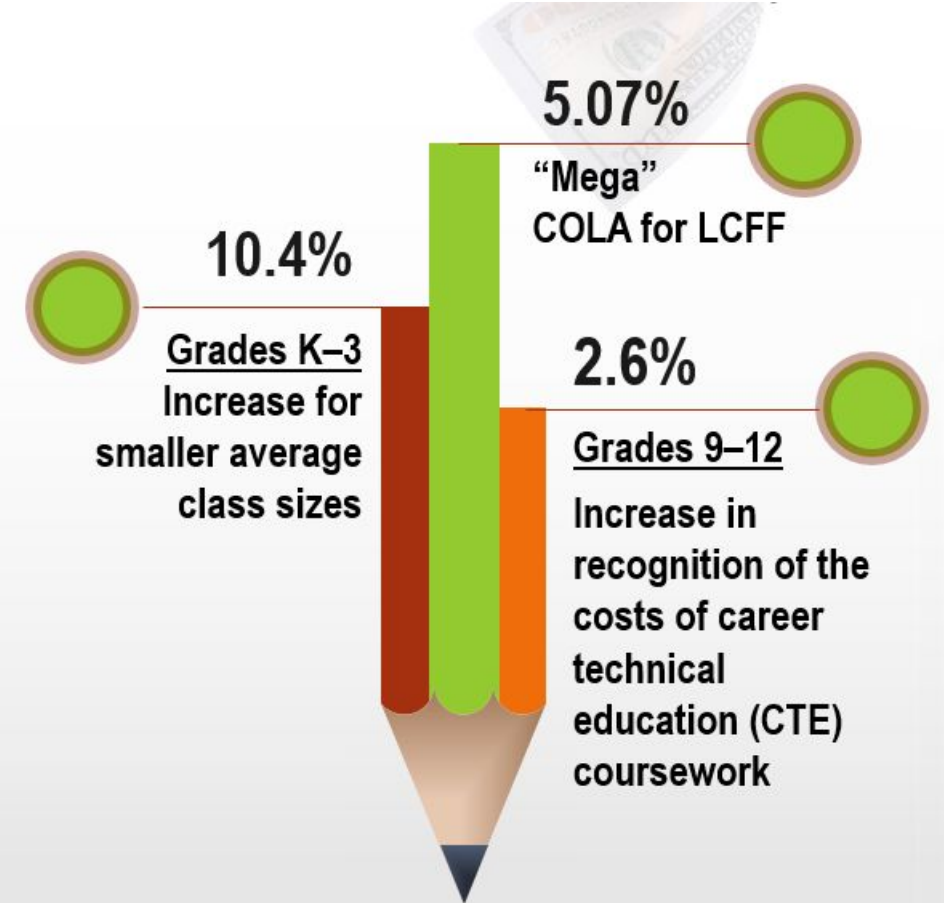
Item	Governor's Budget	May Revision
LCFF Funding Increase	\$2 billion	\$3.2 billion
Proposition 98 Minimum Guarantee		
2019–20	\$79.5 billion	\$79.3 billion
2020–21	\$82.8 billion	\$92.8 billion
2021–22	\$85.8 billion	\$93.7 billion
2021–22 Statutory COLA	1.5%	1.7%
2021–22 Compounded COLA	3.84%	4.05%*
2021–22 LCFF “Mega” COLA	N/A	5.07%

*Only the special education and community college funding formulas will receive the compounded COLA

The May Revision and its Effects on Santa Rosa City Schools

2021–22 LCFF Funding Factors

- The May Revision increases the COLA which is applied to the LCFF base grants for each grade span
 - Two grade span adjustments (GSAs) are applied as percentage increases to the base grants
 - Supplemental and concentration (S/C) grants are calculated based on the percentage—unduplicated pupil percentage (UPP)—of an LEA's enrolled students who are:
 - English learners
 - Free or reduced-price meal program eligible students
 - Foster youth



2021–22 LCFF Funding Factors

Grade Span	K–3	4–6	7–8	9–12
2020–21 Base Grant per ADA	\$7,702	\$7,818	\$8,050	\$9,329
5.07% Mega COLA	\$390	\$396	\$408	\$473
2021–22 Base Grant per ADA	\$8,092	\$8,214	\$8,458	\$9,802
GSA	\$842	–	–	\$255
2021–22 Adjusted Base Grant per ADA	\$8,934	\$8,214	\$8,458	\$10,057
20% Supplemental Grant per ADA (Total UPP)	\$1,787	\$1,643	\$1,692	\$2,011
50% Concentration Grant per ADA (UPP Above 55%)	\$4,467	\$4,107	\$4,229	\$5,029

2021–22 LCFF Funding Factors - SRCS

FUND 01 LCFF	Projected COLA	2021-22	Projected COLA	2022-23*
May Revise	5.07%	\$149,220,647.50	2.48%	\$145,973,811.50
January Proposal	3.84%	\$147,628,645.00	2.48%	\$145,104,348.00
LCFF Increase		\$1,592,002.50		\$869,463.50

*Of Note: Revenue in 2022-23 decreases year over year due to declining enrollment and the students of Lawrence Cook Middle becoming part of CCLA's LCFF revenue.

SSC Financial Projection Dartboard


LCFF PLANNING FACTORS						
Factor		2020–21	2021–22	2022–23	2023–24	2024–25
Department of Finance Statutory COLA		2.31%	1.70%	2.48%	3.11%	3.54%
SSC Recommended Planning COLA		0.00%	5.07%*	2.48%	3.11%	3.54%
OTHER PLANNING FACTORS						
Factors		2020–21	2021–22	2022–23	2023–24	2024–25
California CPI		2.14%	3.84%	2.40%	2.23%	2.42%
California Lottery	Unrestricted per ADA	\$150	\$150	\$150	\$150	\$150
	Restricted per ADA	\$49	\$49	\$49	\$49	\$49
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.79	\$33.60	\$34.64	\$35.87
	Grades 9–12 per ADA	\$61.94	\$63.17	\$64.74	\$66.75	\$69.11
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$17.21	\$17.64	\$18.19	\$18.83
	Grades 9–12 per ADA	\$46.87	\$47.84	\$49.03	\$50.55	\$52.34
* Represents the 2021-22 statutory COLA of 1.70%, plus 1.00%, compounded with the 2020-21 statutory COLA of 2.31%						

Special Education

- **The Governor's May Revision proposes to apply the compounded COLA of 4.05% to special education funding, an increase compared to the statutory-COLA only in the Governor's Budget**
 - **This will increase the special education base rate from \$625.00 in the current year to approximately \$650.31 per ADA**
 - **No structural changes are proposed to the special education funding formula and the out of home care formula will continue to be frozen in 2021–22**
- **At the Governor's Budget, \$300 million ongoing was proposed for the Special Education Early Intervention Grant, which would provide funding to districts based on the number of preschoolers with disabilities**
 - **No significant changes were made to the proposal at the May Revision**

CalPERS Employer Contribution Rates

- The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 22.91% for 2021–22
 - 2.21% higher than the current-year rate of 20.70%
- Post-PEPRA* members hired on or after January 1, 2013, will continue to contribute 7.00% into 2021–22
 - Classic member contribution rates are not subject to PEPRA and are set by statute—they will continue to contribute 7.00% of their salary



Year	Previously Released Employer Contribution Rate	New Projected Employer Contribution Rate*
2021–22	23.00%	22.91%*
2022–23	26.30%	26.10%
2023–24	27.30%	27.10%
2024–25	27.80%	27.70%
2025–26	27.80%	27.80%
2026–27	27.60%	27.60%


*2021–22 rate approved by CalPERS Board on April 19, 2021

Note: All other rates beginning in 2022–23 through 2026–27 are projected rates

*Public Employees' Pension Reform Act (PEPRA)

CalSTRS Employer Contribution Rates

- Beginning in 2021–22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually—not to exceed 20.25% of creditable compensation
 - The CalSTRS Board is set to exercise its new rate-setting authority in an action at its June 2021 meeting
- SSC recommends that LEAs anticipate a CalSTRS employer contribution rate of 16.92% in 2021–22 based on the best information available to date from CalSTRS
 - An increase compared to what LEAs are currently expecting in 2021–22 at 15.92%



Year	Previously Released Employer Contribution Rate	New Projected Employer Contribution Rate*
2021–22	15.92%	16.92%*
2022–23	18.00%	19.10%
2023–24	18.00%	19.10%
2024–25	18.00%	19.10%

*2021–22 to be approved by CalSTRS Board on June 10, 2021
Note: All other rates beginning in 2022–23 through 2024–25 are projected rates

Impacts on Multi Year Projections

- 
- Mega COLA
 - Concentration grant augmentation
 - One-time federal funds
 - One-time state funds

- State unemployment insurance
- State pension funds
- “New hires” with one-time funds
- Additional costs with reopening

Items under consideration in the May Revision

Summer and Afterschool Programs

New proposal to provide no-cost afterschool and summer programs for elementary school students in districts and charter schools with high concentrations of low-income students, English learners, and foster youth

Services

- Must provide before or afterschool expanded learning that, when added to daily instructional minutes, amounts to no less than a nine-hour school day
- Must provide at least 30 days of summer school (or other intersessional period) with at least nine hours of expanded learning
- Builds on After School Education and Safety Program
- Requires 10:1 ratio for TK/K students and 20:1 for students in grades 1-6

Funding

- \$1 billion in 2021–22, growing to \$5 billion in 2025–26
- Phased implementation such that LEAs with highest proportion of low-income students, English learners, and foster youth access the funds first
- At full implementation, funds incorporated into the LCFF concentration grant

Universal Transitional Kindergarten

- The May Revision proposes to achieve universal transitional kindergarten for all four-year-olds by 2024–25 with a permanent increase to Proposition 98, equaling \$900 million in 2022–23 and increasing to \$2.7 billion in 2024–25
- The proposal also includes cutting classroom ratios by half with an investment that grows from \$380 million in 2022–23 to \$740 million by 2024–25



2022–23

Expand TK eligibility for four-year-olds whose fifth birthday occurs between **September 2 and March 2**



2023–24

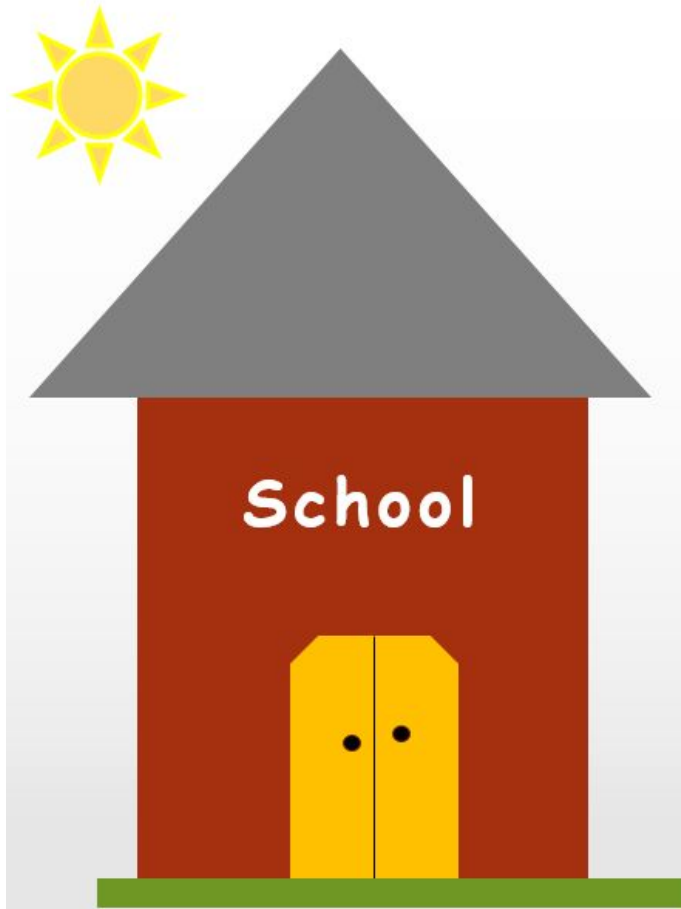
Expand TK eligibility to four-year-olds whose fifth birthday occurs between **September 2 and June 2**



2024–25

Expand TK eligibility to four-year-olds whose fifth birthday occurs between **September 2 and September 1 of the following calendar year**

Universal Transitional Kindergarten



California Transitional Kindergarten (TK) Planning Grant

One-time \$250 million Proposition 98

- Grants based on 2019–20 kindergarten ADA, excluding TK, and must be encumbered by June 30, 2024
- Required report: number of students, race/ethnicity, and languages

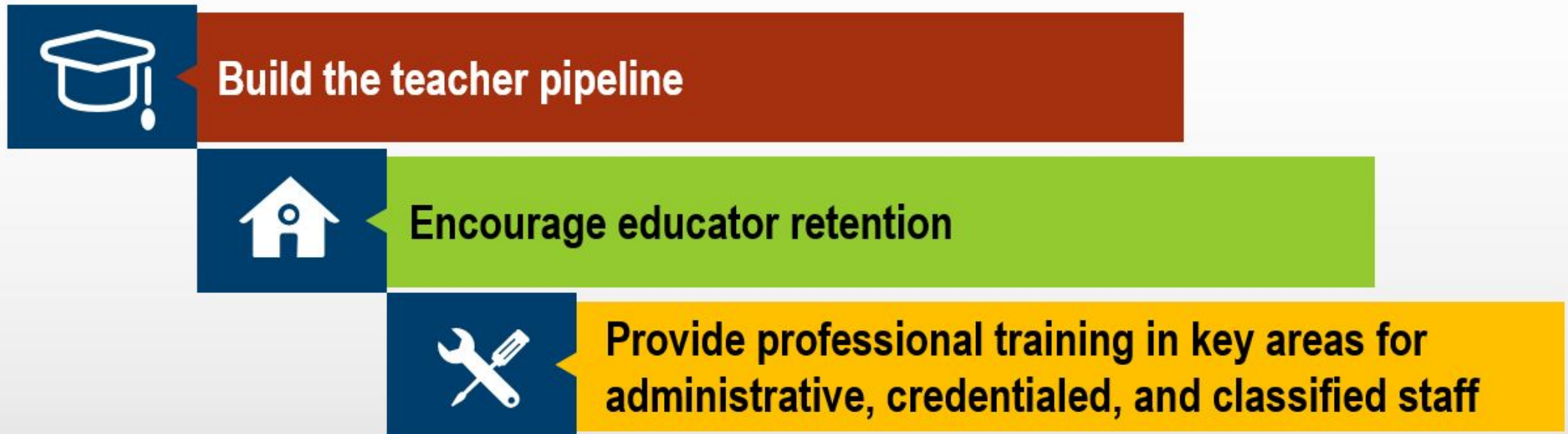
TK/Full-Day Kindergarten Facilities Grant Program

One-time \$190 million General Fund

- Construct and retrofit existing facilities to expand TK or offer full-day kindergarten programs
- Grants may not be used to purchase portable classrooms

Educator Investments

- Governor Newsom's May Revision proposes to invest in the educator workforce by providing \$3.3 billion through a mix of Proposition 98 and General Fund one-time sources in a multiyear package to support initiatives that:



Next Steps

June 2021

- ☐ 2021-22 Budget Public Hearing
- ☐ 2021-22 State Budget Act
- ☐ 2021-22 Budget Adoption