

The 2022-23 Governor's Budget Proposal



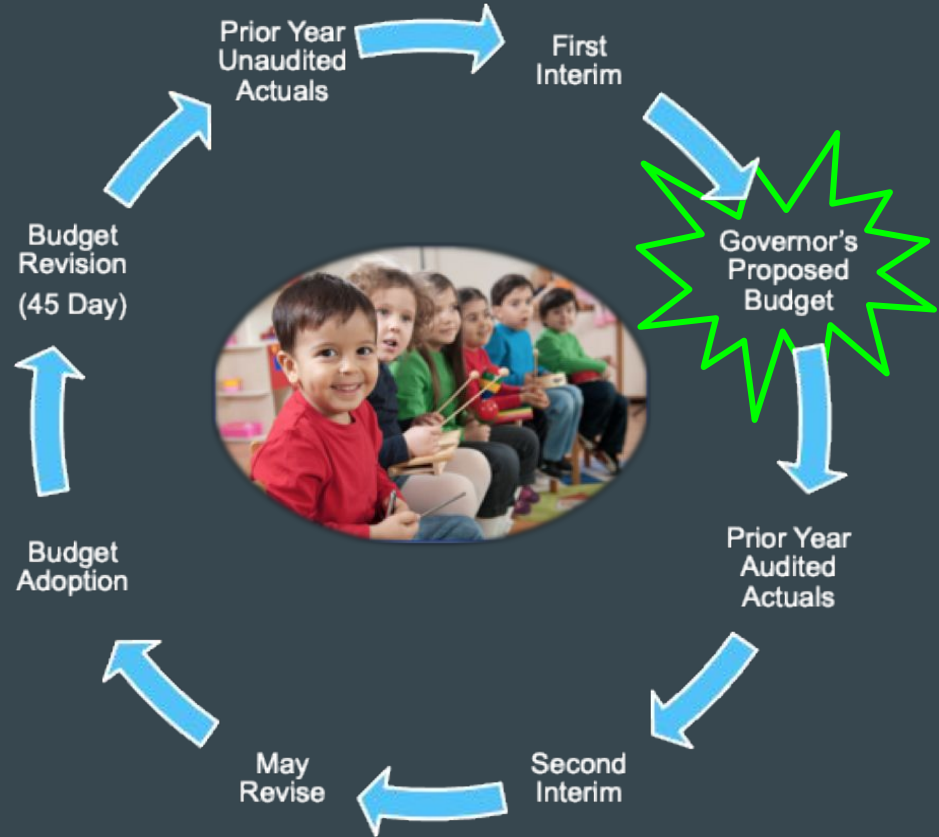
Santa Rosa City Schools

Presentation Items

- Overview
- Governor's Proposed Budget Detail
- K thru 12 Education State Budget
- Initial Thoughts
- Fiscal Conditions
- State General Fund Revenues
- Proposition 98
- Local Control Funding Formula (LCFF)
- CalSTRS & CalPERS
- Proposed Statewide Specific categorical programs or services
- Stand-Alone Categorical Programs
- What's Next

Overview

The Annual Budget Cycle

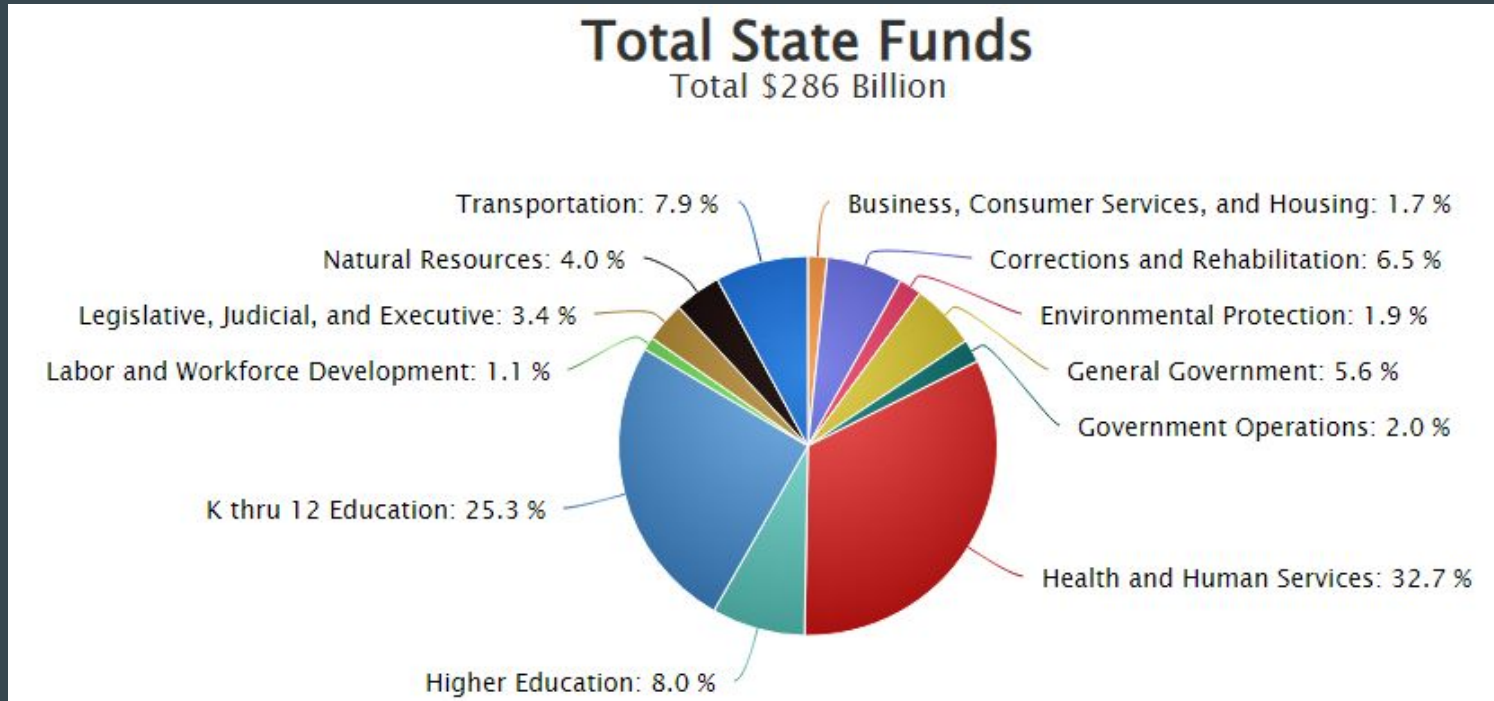


Overview

- All California Public Schools are part of the California State Budget under the K thru 12 Education Budget. The California State Budget is based on Tax Revenues. California's state and local governments rely on three main taxes:
 - Personal income tax is the state's main revenue source
 - Property tax is the major local tax
 - Sales and use tax
- The K thru 12 Education Budget covers a period of three fiscal years
- Every year by January 10, the Governor of California is required to publicly present a proposed State budget that includes the K thru 12 Education Budget for the succeeding fiscal year that begins on July 1.
- Although the State budget does not become official until it is agreed upon by the Legislature and signed by the Governor in June, the Governor's January proposal provides guidance for Santa Rosa City Schools' own 2022-23 budget planning and decision-making, which often must be completed each year in the spring.
- There will be an update from the Governor on the budget in the May Budget Revision, after the Legislature has had time to look over the budget and provide feedback, and we will have a new presentation and figures on the budget then in preparation for our Budget Adoption in June this year.

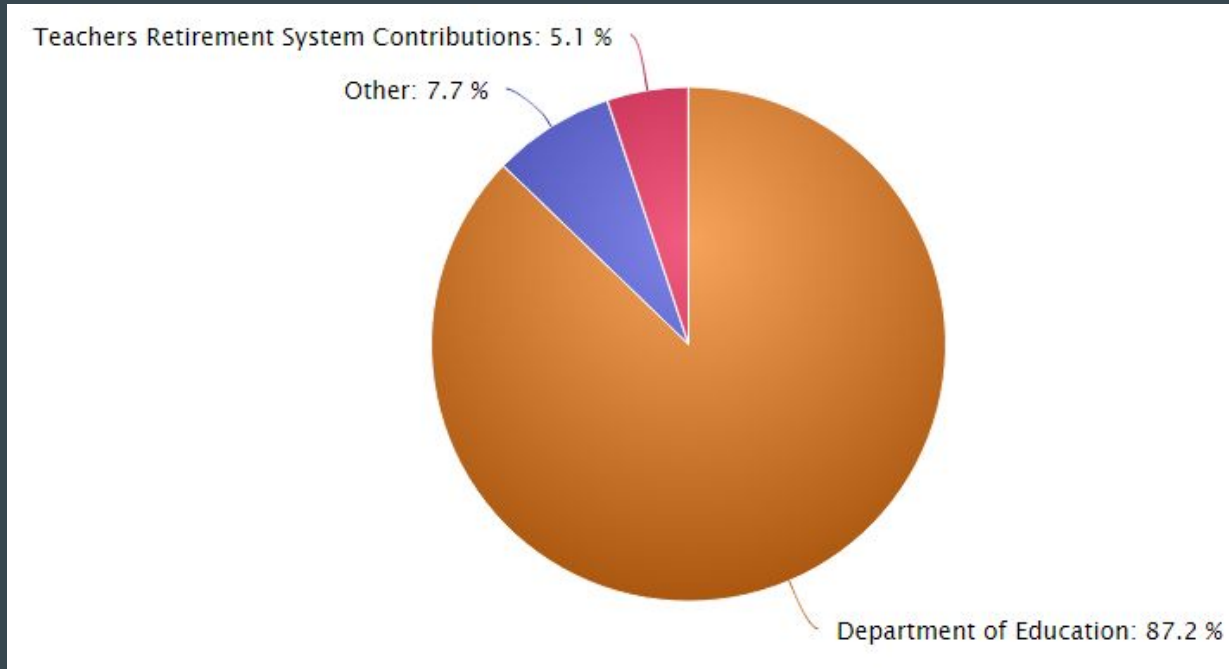
Governor's Proposed Budget Detail

The 2022-23 Governor's Budget proposes spending of \$286.4 billion in total state funds, consisting of approximately \$213.1 billion from the General Fund, \$65.3 billion from special funds, and \$8 billion from bond funds.



K thru 12 Education State Budget

This pie chart represents \$72.4 billion of expenditures within this Agency area. These amounts do not include federal funds, certain non-governmental cost funds, or reimbursements.



K thru 12 Education State Budget

Departments	Total State Funds*	Total All Funds*
Scholarshare Investment Board	\$196,288	\$199,183
Department of Education	\$63,102,824	\$99,713,826
State Library	\$72,723	\$94,066
Education Audit Appeals Panel	\$1,177	\$1,177
Summer School for the Arts	\$1,426	\$2,273
Teachers Retirement System Contributions	\$3,706,225	\$3,706,225
Retirement Costs for Community Colleges	-\$285,872	-\$285,872
School Facilities Aid Program	\$2,959,276	\$2,959,276
Commission on Teacher Credentialing	\$61,749	\$63,057
General Obligation Bonds-K-12	\$2,542,745	\$2,542,745
Total Expenditures	\$72,358,561	\$108,995,956
* Dollars in thousands		

Initial Thoughts

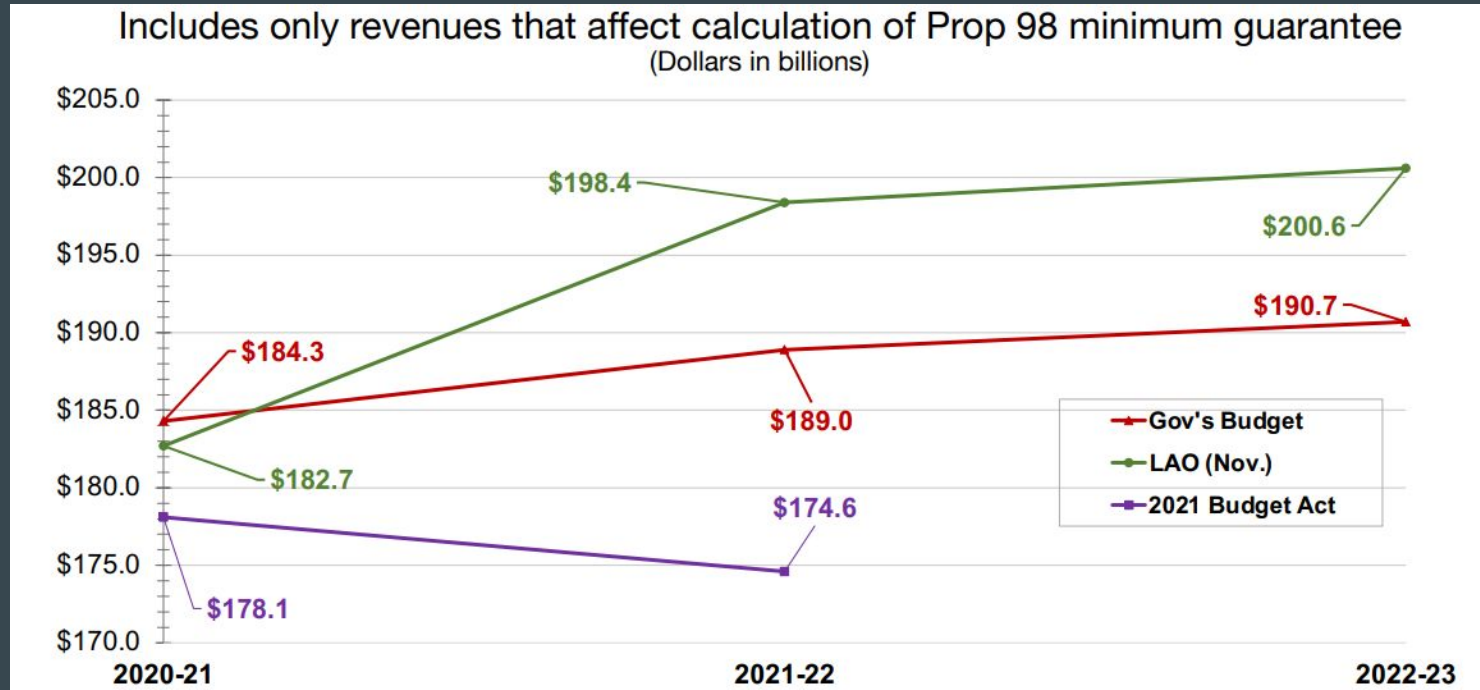
- Strong General Fund (GF) revenue growth and large budget surplus, but festive “California Roars Back” mood dampened by Omicron surge and other challenges
- Governor Newsom highlights five existential threats to California: COVID-19, climate crisis, homelessness, cost of living, and crime
- K-12 education not the focus of Governor Newsom press conference, and education budget more stay the course than transformational
- Budget news is good but doesn’t meet high K-12 expectations set by LAO’s Fiscal Outlook
- Emphasis on new state policies and programs instead of boosting LCFF is disappointing
- Biggest challenges for schools are not easily solved in the budget – COVID fatigue, staffing shortages, unstable attendance, confusion over health/safety protocols, enormous time and energy devoted to issues outside core teaching and learning

Fiscal Conditions

- Note – economic forecast for Governor’s Budget was completed by the end of November, before Omicron surge and increased stock market volatility
- Forecast assumes continued economic recovery in California, and that public health improvements will facilitate labor force reentry and continued job growth
- Also assumes reopening and recovery of tourism and travel sectors
- Main sources of GF revenue very strong through budget period, but pace of growth probably not sustainable
- Risks include another COVID-19 surge, persistent labor market instability, sustained high inflation and ongoing global supply chain disruptions
- California specific risks include reduction of revenues from high income earners, as well as disruption from wildfires, drought and other extreme weather events
- The Governor’s 2022-23 Budget is built on the solid foundation of an estimated \$45.7 billion budget surplus and proposals that leave California on sound fiscal footing through 2025-26. Just a little over a year-and-a-half ago, California enacted a budget to address a daunting \$54 billion deficit as a result of the stultifying impact of COVID-19 on our economy. We withstood the imposition of tens of billions of dollars in deferred education payments and suspended cost of living adjustments
- 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

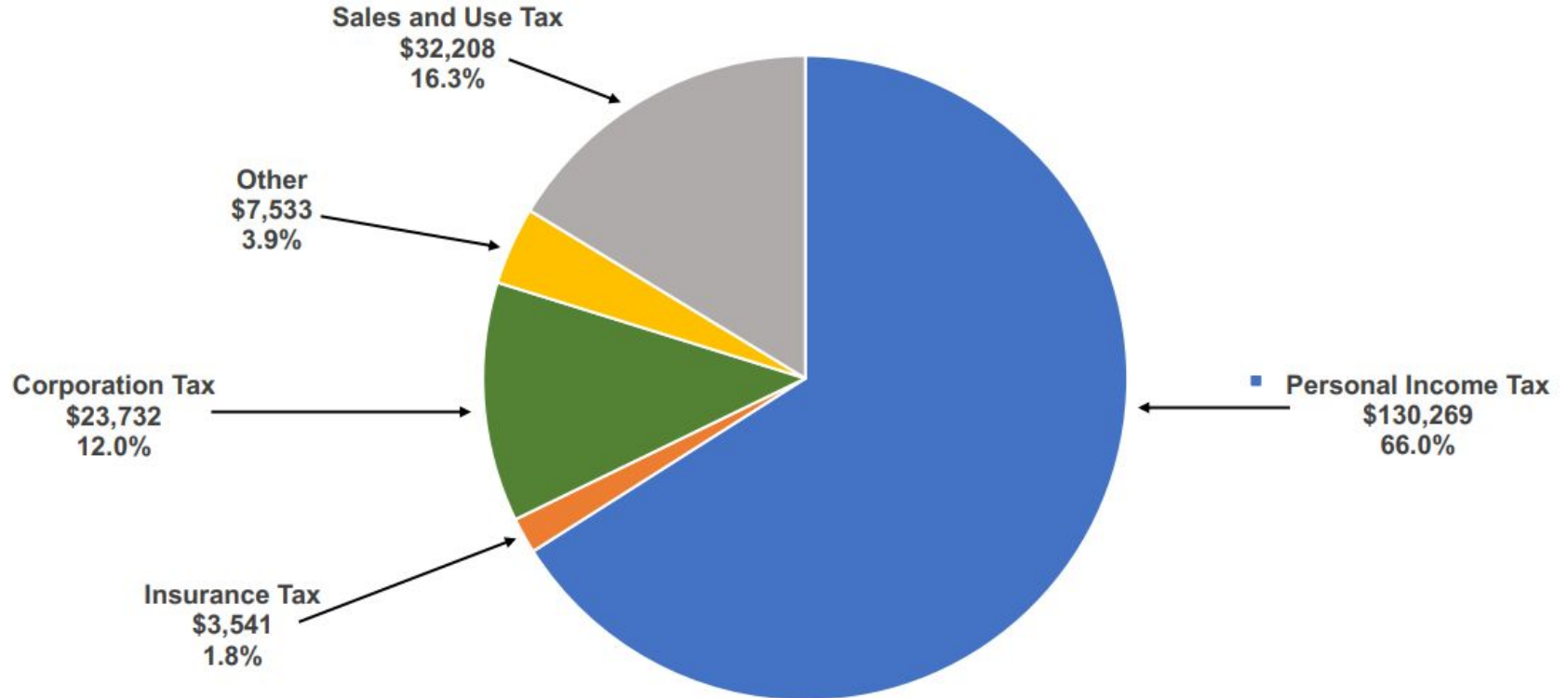
State General Fund Revenues

Governor's Budget Proposal is projecting \$9.9 billion less in State General Fund Revenues than the Legislative Analyst Office (LAO) November 2021 projection



State General Fund Revenues

(Dollars in millions)



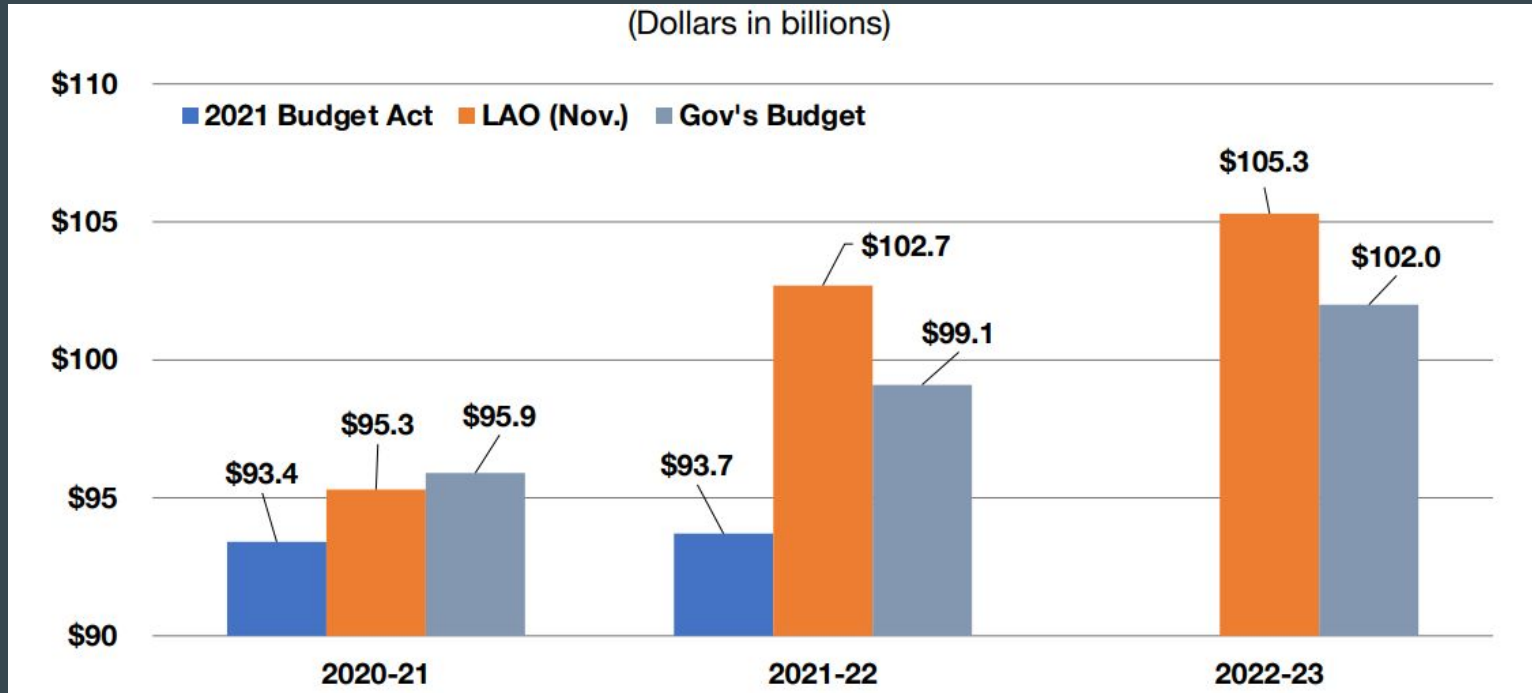
State General Fund Revenues

National Economy: Dow Jones Industrial Average



Proposition 98

Governor's Budget Proposal is projecting \$3.3 billion less in Proposition 98 Guarantee than the Legislative Analyst Office (LAO) November 2021 projection

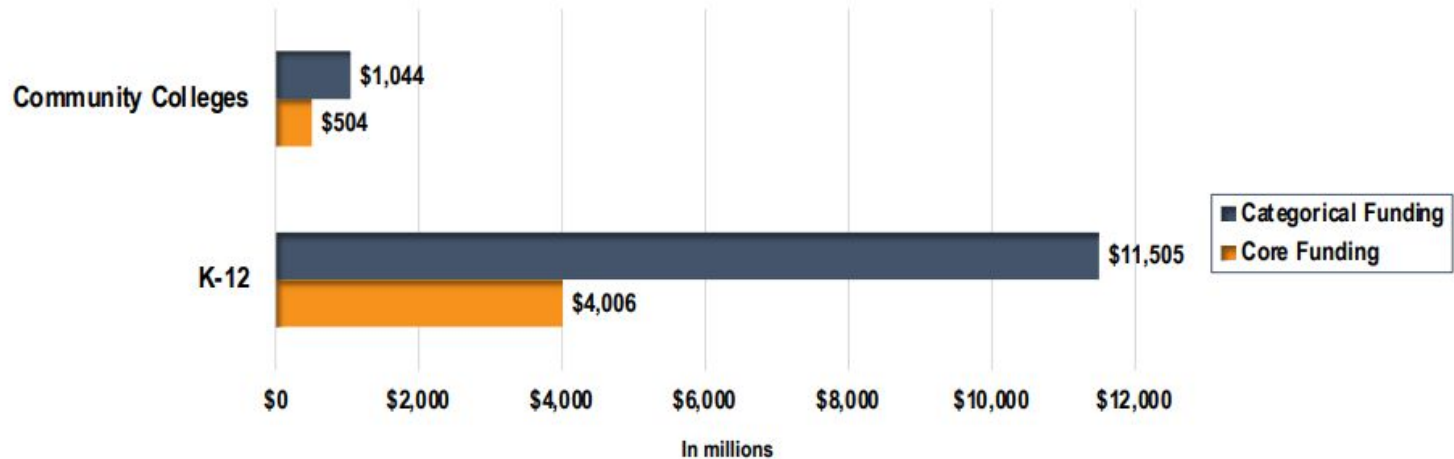


Proposition 98

Unlike in Governor Brown's Budgets that put extra Prop 98 dollars into School District in discretionary one-time payments, Local Control Funding Formulas (LCFF), and Supplemental and Concentration Grants for Local Control Accountability Plans (LCAP), Governor Newsom is putting more extra dollars into specific categorical programs or services.

- **Most of the new Proposition 98 revenues for K-12 and community colleges are earmarked for specific categorical programs or services**

- **Total per-student K-12 spending reaches \$15,261 (Proposition 98 only)**

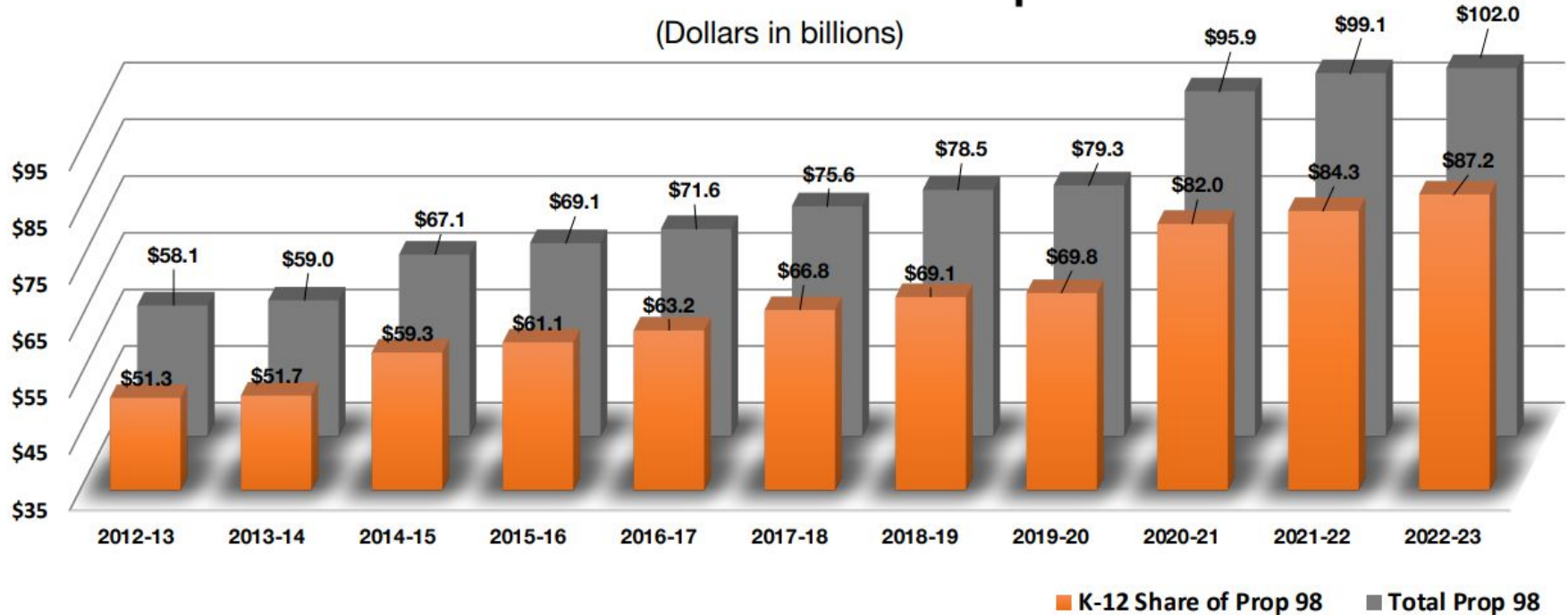


Note: K-12 core funding includes Proposition 98 adjustment for universal TK and lower classroom ratios in TK

Proposition 98

K-12 Share of Prop 98

(Dollars in billions)



Local Control Funding Formula (LCFF)

CA State Local Control Funding Formula (LCFF) Funding, 88% of our General Fund State Revenues and 71% of all of our General Fund Revenues.

The LCFF is composed of Four (4) Areas and these factors are the same for District and Charter Schools:

- Base Grant - Based on COLA applied to the prior year Base Grant.
- Grade Span Adjustment Factors - for K-3 10.4% of Base Grant and for 9-12 2.6% of Base Grant.
- Supplemental Grants - for all Unduplicated Pupil Count Students (English Learners, Foster Youth, and Economic Disadvantages students counted only once) receive an additional 20% of the Base Grant with Grade Span Adjustment.
- Concentration Grants - if the district ratio is above 55% of total enrollment to all Unduplicated Pupil Count Students (English Learners, Foster Youth, and Economic Disadvantages students counted only once) they will receive an additional 65% of the Base Grant with Grade Span Adjustment. Like in the 2021 Budget Act, this is up from 50% and the additional 15% to be used to increase the number of credentialed and/or classified staff who provide direct services to pupils. Increase is measured by comparing prior year staff-to-pupil ratios at schools with greater than 55% UPP versus schools with less than 55% UPP.

Local Control Funding Formula (LCFF)

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

Cost-of-Living Adjustments (COLA)	SRCS 2021-22 First Interim Assumptions	2022-23 Governor's Budget Proposal	Difference
2021-22	5.07%	5.07%	0.00%
2022-23	5.35%	5.33%	-0.02%
2023-24	3.50%	3.61%	0.11%
2024-25	N/A	3.64%	N/A

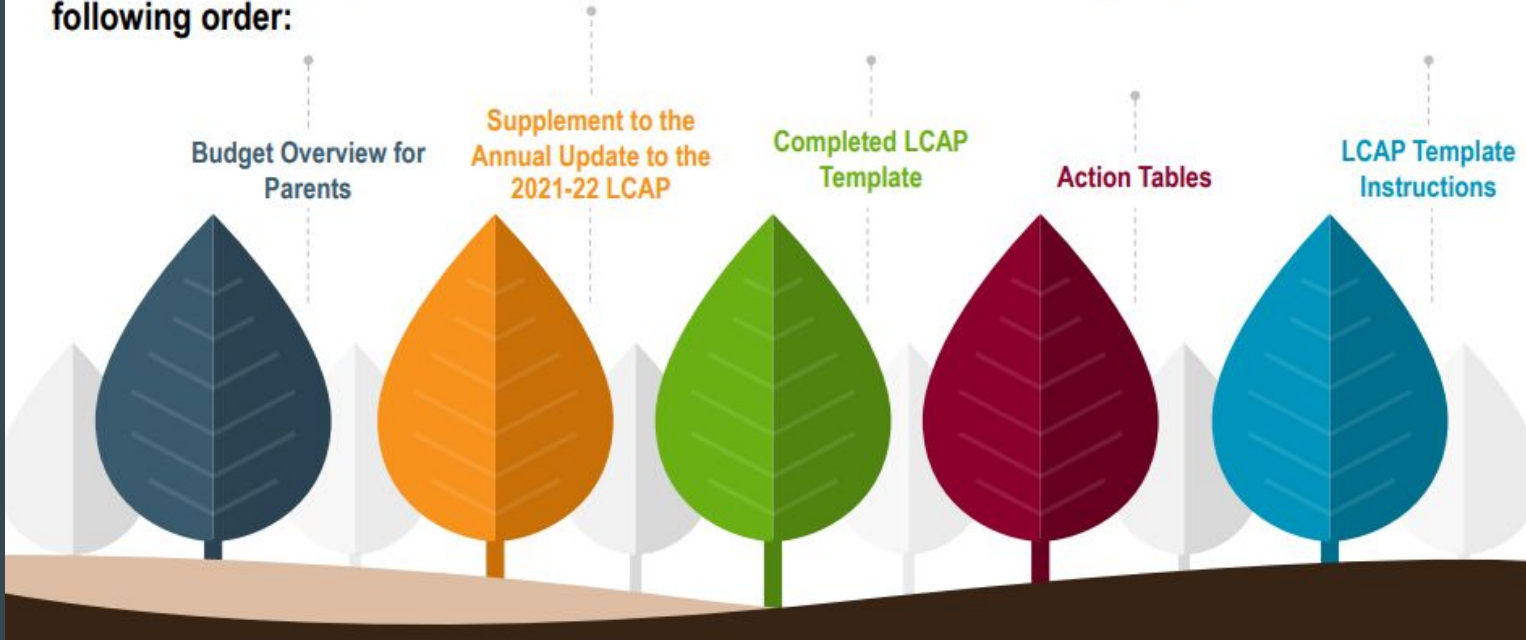
Local Control Funding Formula (LCFF)

- 2022-23 Local Control Accountability Plan (LCAP), this is the second year of the three-year LCAP, LCFF carryover increases the minimum proportionality percentage.
- Districts are required to present “an update on the annual update to the 2021-22 LCAP and budget overview for parents” on or before February 28, 2022, at a regularly scheduled meeting, which includes one-time supplement as well as all available mid-year outcome data related to metrics and mid-year expenditure and implementation data included in the 2021-22 LCAP. Supplement will be part of the review, adoption, and approval process for the 2022-23 LCAP.
- Implementation of universal meals will have an immediate and direct impact on Unduplicated Pupil Percentage (UPP) Counts for our District. With free meals for all students as detailed in the School Nutrition section below, likely this will not make it as much of a priority for parents and guardians to fill out the Free or Reduced Meal Applications that otherwise would be a requirement to receive free meals. These applications are how we also determine our UPP. Our UPP then determines how much we receive in LCFF supplemental and concentration grant funding for our Local Control Accountability Plan (LCAP). With less participation we will receive less funding that will result in less LCAP extra services for English Learners, Foster Youth, and Economic Disadvantaged Students. We are not alone in this scenario and all CA school districts face this challenge. **Nothing was including in the 2022-23 Governor's Budget Proposal to address this issue.**

Local Control Funding Formula (LCFF)

2022-23 LCAP and 2021-22 LCAP Supplement

- The LCAP must be posted as one document and include the following components in the following order:



Local Control Funding Formula (LCFF)

The COVID-19 Pandemic may have a significant impact on student attendance with the requirement that students stay home with any coronavirus symptom until a negative test is received or symptoms improve, and a 10-day quarantine has passed. It is a concern that attendance rates will drop below historical averages and negatively affect the Districts funding. Since California's LCFF is one of only six states that base funding on attendance, meaning no matter how many students we have enrolled, if their attendance rate is only 90%, we must prepare for our entire enrollment but only receive funding for 90%.

Declining Enrollment/ADA Proposal in the 2022-23 Governor's Budget Proposal:

- The Administration recognizes fiscal instability facing many school districts due to declining enrollment and high absenteeism
- Notes that the current ADA calculation for LCFF apportionment does not allow school districts to gradually adjust spending and instructional programs to deal with significant annual drops in ADA
- Amends the LCFF calculation to allow school districts to utilize the greatest of current year, prior year, or the average of three prior years' ADA For 2022-23, average of prior three years is 2019-20 (pre-Pandemic ADA), 2020-21 ("holdharmless" policy utilizes 2019-20 ADA, with very few exceptions), and 2021-22 (actual ADA)
- Estimates cost is \$1.2 billion

Local Control Funding Formula (LCFF)

ADA Cliff—Proposed Solution

- Hypothetical scenario for school districts

Fiscal Year	Actual ADA
2019-20	10,000
2020-21	10,000*
2021-22	9,500
2022-23	9,250

*Result of hold harmless

Funded ADA for 2022-23	
Current Law	9,500
Governor's Proposal	9,833
Difference	333

- Goal is to turn the ADA cliff into an ADA softer landing
- The proposed solution would not apply to charter schools, but the Governor intends to engage in outreach and discussions with interested charter school parties

Local Control Funding Formula (LCFF)

- SB 830 (Portantino, D-La Cañada Flintridge) would establish a process for school districts and county offices of education to apply for “supplemental education funding” using “average daily membership” data. Only current proposal to fund on enrollment not ADA.
 - At least 50% of an LEA’s supplemental funding would have to be used to address chronic absenteeism and habitual truancy
- The deadline for lawmakers to introduce new bills is February 18, 2022.

CalSTRS & CalPERS

School Employer Pension Costs in the 2022-23 Governor's Budget Proposal:

- Governor's budget does not include any relief for school employers in 2022-23
- Impact of previous employer rate relief from the 2020 Budget Act ends after 2021-22
- CalSTRS an increase of 2.18% compared to what districts are currently contributing in 2021-22 at 16.92%
- CalPERS employer contribution rate for 2022-23 would increase from the current rate of 22.91% to 26.10%

CalSTRS Employer Rate	SRCS 2021-22 First Interim Assumptions	2022-23 Governor's Budget Proposal	Difference
2021-22	16.92%	16.92%	0.00%
2022-23	19.10%	19.10%	0.00%
2023-24	19.10%	19.10%	0.00%
2024-25	19.10%	19.10%	0.00%

CalPERS Employer Rate	SRCS 2021-22 First Interim Assumptions	2022-23 Governor's Budget Proposal	Difference
2021-22	22.91%	22.91%	0.00%
2022-23	26.10%	26.10%	0.00%
2023-24	27.10%	27.10%	0.00%
2024-25	27.70%	27.70%	0.00%

Proposed Statewide specific categorical programs or services

Independent Study in 2022-23 in the 2022-23 Governor's Budget Proposal:

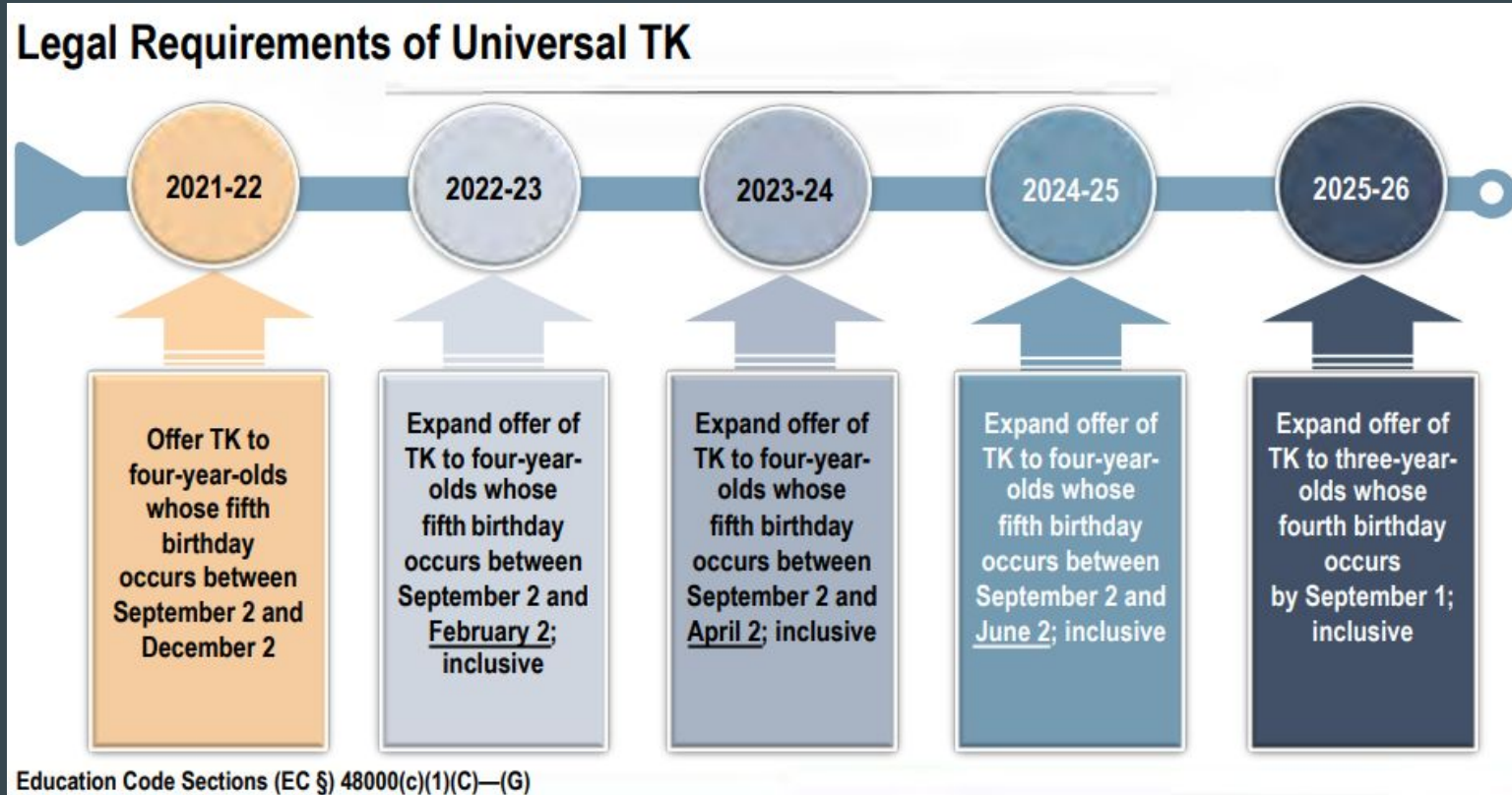
- Governor proposes that IS continue to be sole alternative to in-person instruction for 2022-23 school year and proposes some changes to “simplify” collection of attendance data:
 - Requires school districts to offer IS in 2022-23
 - Allows synchronous instruction to count for instructional time in traditional IS, in addition to student work product
 - Provide flexibilities on the timeline for a school district to collect a signed IS written agreement
- The state budget will not be finalized in time to provide any relief for current challenges related to the Omicron surge
- Immediate relief will need to come from executive orders, agency action or urgency legislation

Proposed Statewide specific categorical programs or services

Transitional Kindergarten (TK) in the 2022-23 Governor's Budget Proposal:

- Continues expansion of TK to serve all four-year olds by 2025-26:
 - School Districts required to offer TK to all children turning five between September 2 and February 2 beginning in 2022-23 school year
 - Increases (rebenches) Prop 98 Guarantee by \$639.2 million to cover cost of expanded enrollment
- TK adult-to-child ratios
 - Provides \$383 million Prop 98 funds to add one certificated or classified staff to every TK class
 - Law requires a maximum of 12 students per adult. Maintain an average class enrollment of not more than 24 pupils per school site in TK classrooms.

Proposed Statewide specific categorical programs or services



Proposed Statewide specific categorical programs or services

Expanded Learning Opportunities Program (ELO-P) in the 2022-23 Governor's Budget Proposal:

- Created in 2021 Budget Act
- \$3.4 billion additional ongoing Prop 98 funds, bringing total ongoing program funding to \$4.4 billion
 - Statute does not allow School Districts to opt-out of receiving funding
 - Potential changes to the allocation formula (priority provisions for unduplicated students) for 2022-23 school year, more detail expected in budget trailer bill language
- \$937 million one-time Prop 98 funds to support ELO-P infrastructure, with focus on integrating arts and music programming into enrichment options for students
- The Administration encourages partnership with community-based providers to quickly scale up capacity

Proposed Statewide specific categorical programs or services

School Nutrition in the 2022-23 Governor's Budget Proposal:

- \$650 million ongoing Prop 98 to implement the universal meals program established in the 2021 Budget Act
 - Beginning in 2022-23 school year, every School District serving TK-12 must provide two meals free of charge to every student that requests them, regardless of their income eligibility
 - In order to receive funding, School Districts must participate in federal meal programs as well as any applicable federal provision feeding program (Ex. CEP, Provision 2)
- \$450 million one-time Prop 98, available over 3 years, to upgrade school kitchen infrastructure and equipment to help schools incorporate more fresh, minimally processed CA-grown foods in school meals
 - More details expected when Budget trailer bill language is released in a few weeks
- \$33 million one-time GF for Farm to School Program to establish demonstration projects (\$30 million) and expand regional CA Farm to School Network (\$3 million)
- \$3 million one-time Prop 98 for the School Breakfast and Summer Meal Start-Up and Expansion Grant Program

Proposed Statewide specific categorical programs or services

Special Education in the 2022-23 Governor's Budget Proposal:

- \$500 million ongoing Prop 98 in addition to 5.33% COLA increases the Special Education base rate to \$820/ADA (up from \$715). Currently this is for the Sonoma SELPA, the SELPA will then provide the revenue to SRCS based on the current SELPA Revenue Funding Formulas.
- Increased funding paired with number of policy changes, including:
 - Amend special education funding formula to calculate special education base funding allocations at the School District level rather than the SELPA level (but funding will still flow through SELPAs) to increase transparency
 - Consolidate two extraordinary costs pools into a single cost pool to simplify the current funding formula
 - Allocate Educationally-Related Mental Health Services funding directly to School Districts (rather than SELPAs)
 - Develop a Special Education Addendum to the LCAP to link special education and general education planning (not expected to apply for the 2022-23 school year)
- Specific details about these policy changes are expected in forthcoming budget trailer bill language

Proposed Statewide specific categorical programs or services

Special Education in the 2022-23 Governor's Budget Proposal Continued:

- \$500 million one-time Prop 98 for Inclusive Early Education Expansion Program, which funds infrastructure necessary to support general ed and special ed students in inclusive classrooms
- \$65.5 million in 2022-23 (increasing to \$82.5 million in 2023-24) for the Department of Developmental Services and regional centers to strengthen the transition process
 - Paired with \$849,000 GF to support CDE efforts to strengthen the transition process of young children with disabilities from federal Part C services (provided by regional centers) to federal Part B services (provided by districts)
- Statutory changes to support continuity of services provided to young children with disabilities by:
 - Enhancing coordination between CDE & DDS
 - Supporting parents' ability to access resources and information needed to be active participants in the transition process

Proposed Statewide specific categorical programs or services

College and Career Pathways in the 2022-23 Governor's Budget Proposal:

- \$1.5 billion Prop 98 over four years to support the development of pathway programs focused on technology, health care, education/early education, and climate-related fields
 - Intent to develop local partnerships among school systems, higher education, employers, and community stakeholders
- \$500 million Prop 98 over four years to expand dual enrollment, including student advising and support services

Proposed Statewide specific categorical programs or services

Educator Workforce in the 2022-23 Governor's Budget Proposal:

- Large investment of \$2.9 billion in 2021 Budget Act, including \$1.5 billion for Educator Effectiveness Block Grant and \$500 million for Golden State Teacher Grant Program, will remain available for expenditure for a couple more years
- Recent executive action to provide temporary relief and additional flexibilities for educator workforce
- Modest new General Fund (GF) and Prop 98 proposals include:
 - \$24 million GF to waive certain teacher examination fees
 - \$12 million GF to extend the waiver of select credentials fees
 - \$10 million GF to support a competitive grant program for public and private institutions to develop and implement integrated teacher preparation programs

Proposed Statewide specific categorical programs or services

Educator Workforce in the 2022-23 Governor's Budget Proposal Continued:

- \$5.2 million Prop 98 and \$322,000 General Fund to re-establish the Personnel Management Assistance Teams
- \$5 million Prop. 98 for community college credentialing program
- \$3.2 million GF to Commission on Teacher Credentialing (CTC) for various activities, including establishing career counselors for prospective educators
- Extends statute authorizing any holder of a credential or permit to be able to serve in a substitute assignment aligned with their authorization, including for staff vacancies, for up to 60 cumulative days

Proposed Statewide specific categorical programs or services

Investing in Transportation in the 2022-23 Governor's Budget Proposal:

- \$1.5 billion one-time Prop 98 to invest in “greening school bus fleets”
 - Grants of at least \$500,000 for School Districts to begin phasing out costly and environmentally unfriendly diesel buses
 - Competitive grants with priority given to:
 - Small and rural School Districts
 - School Districts with high concentrations of low-income students, English language learners and foster youth
 - Grants can be used to purchase an electric school bus, build a bus charging station and to fund other local transportation needs
 - New workgroup to study streamlining the training and licensing of new school bus drivers with representatives from the DMV, CHP, CDE and SBE

Proposed Statewide specific categorical programs or services

State Dollars for School Facilities in the 2022-23 Governor's Budget Proposal:

- Governor proposes using one-time GF dollars to support the School Facilities Program (SFP):
 - \$1.3 billion in 2022-23 and \$925 million in 2023-24
 - Governor says state investment is more efficient and cheaper way to invest in school facilities than bonds and calls this funding a “bridge” until the state “figures out what do in this space”
- Proposes to sell the last of the 2016 Proposition 51 bond funds (approximately \$1.4 billion) to fund school construction projects in 2022-23
 - Legislature continues to discuss placing a statewide school facilities bond (approximately \$12 billion) on the November 2022 ballot or could push to 2024
 - Roughly \$3 billion in approved projects still awaiting funding
 - State funding or statewide bond necessary to support the SFP
- \$30 million ongoing Prop 98 General Fund for the Charter School Facilities Grant Program (commonly referred to as SB 740 program)

Stand-Alone Categorical Programs

Proposed for Ongoing Funding (no COLA)

- After School Education & Safety Program (\$794.7 million)
- Career Technical Education Incentive Grant (\$300 million)
- K-12 Strong Workforce Program (\$163.5 million)
- State Assessment Program (\$106 million + \$20 million federal)
- California Partnership Academies (\$21.4 million)
- County Office Fiscal Oversight (\$6.75 million)
- College Planning and Preparation Website (\$26.5 million)
- California School Information Services (\$6.5 million)
- Specialized Secondary Education Grants (\$4.9 million)
- Agricultural Education Incentive Program (\$6.1 million)
- Teacher Dismissal (\$300,000)

Proposed for Ongoing Funding (5.33% COLA)

- Special Education: (\$5.3 billion + \$1.3 billion federal)
- Child Nutrition (\$823.8 million + \$3.8 billion federal)
- Adult Education Block Grant (\$726 million + 102.6 million federal)
- Mandate Block Grant: (\$252.5 million)
- Foster Youth Programs: (\$29.3 million)
- American Indian Education Centers (\$4.7 million)
- American Indian Early Childhood Education Program (\$636,000)

What's Next

- State Budget committee hearings
- Trailer Bill Language (the implementing language of the California State Budget Bill)
- SRCS 2021-22 Second Interim by March 15
- Governor's May Revision on or before May 15
- State Final budget deal between the Governor and Legislature by June 15