

Fiscal Year 2021-22 Governor's Proposed Budget

Presentation Items

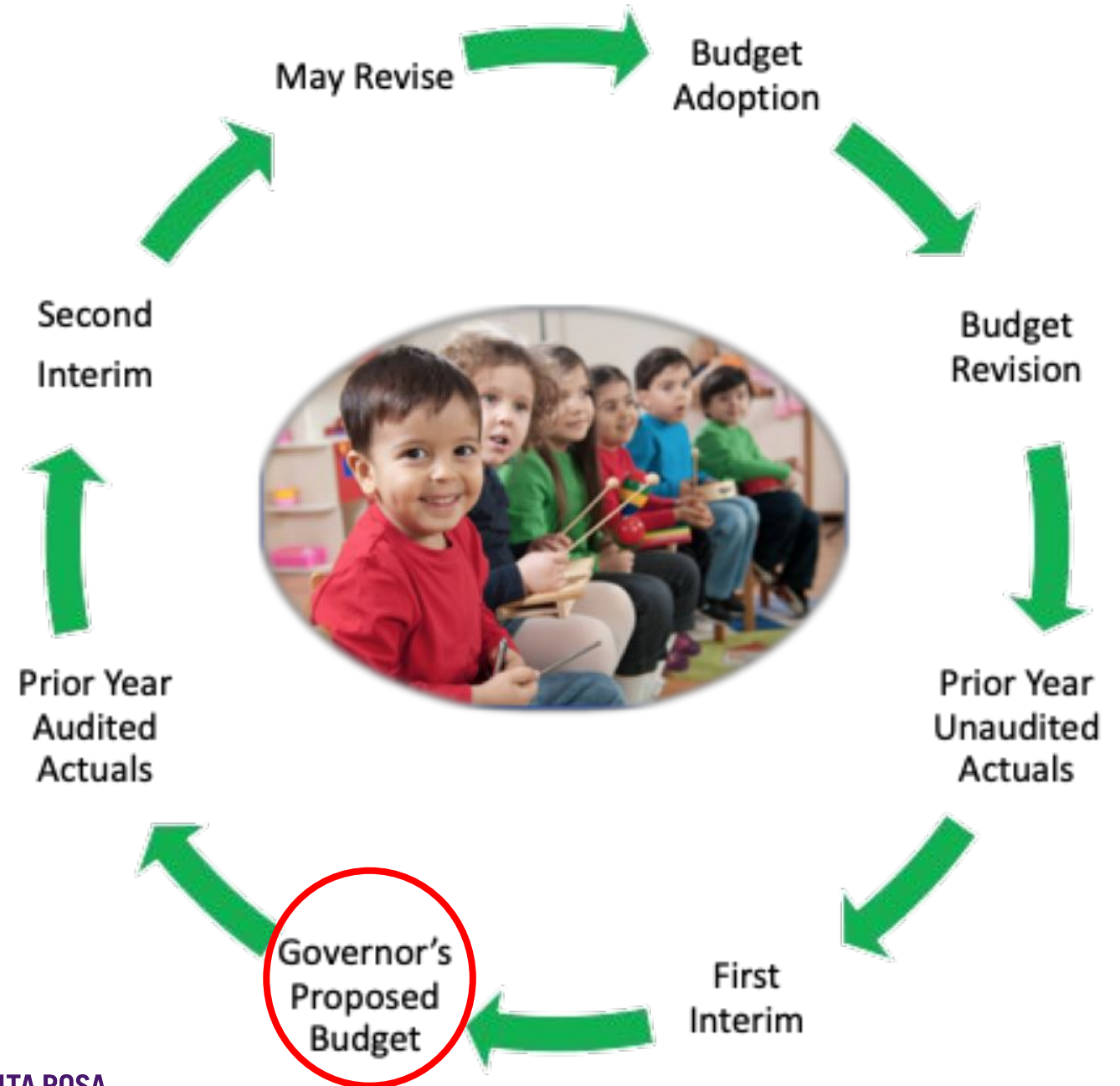
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Overview

All California Public Schools are part of the California State Budget under the K-12 Education Budget. The State budget does not become official until it is agreed upon by the Legislature and signed by the Governor in June each year.

- ❑ The California State Budget is based on (projections first then actuals for) three Tax Revenues:
 - ❑ The personal income tax is the state's main revenue source
 - ❑ The property tax is the major local tax
 - ❑ The state and local governments both receive revenue from the sales and use tax
- ❑ For every succeeding fiscal year (July 1 - June 30) the State is required to:
 - ❑ By January 10th of the preceding year provide the Governor's Proposed Budget
 - ❑ In May of the preceding year provide a Governor's Budget Proposal Revision with input from the Legislature
 - ❑ By June 27th of the preceding year execute an Enacted Budget signed into Law by the Governor and Legislature

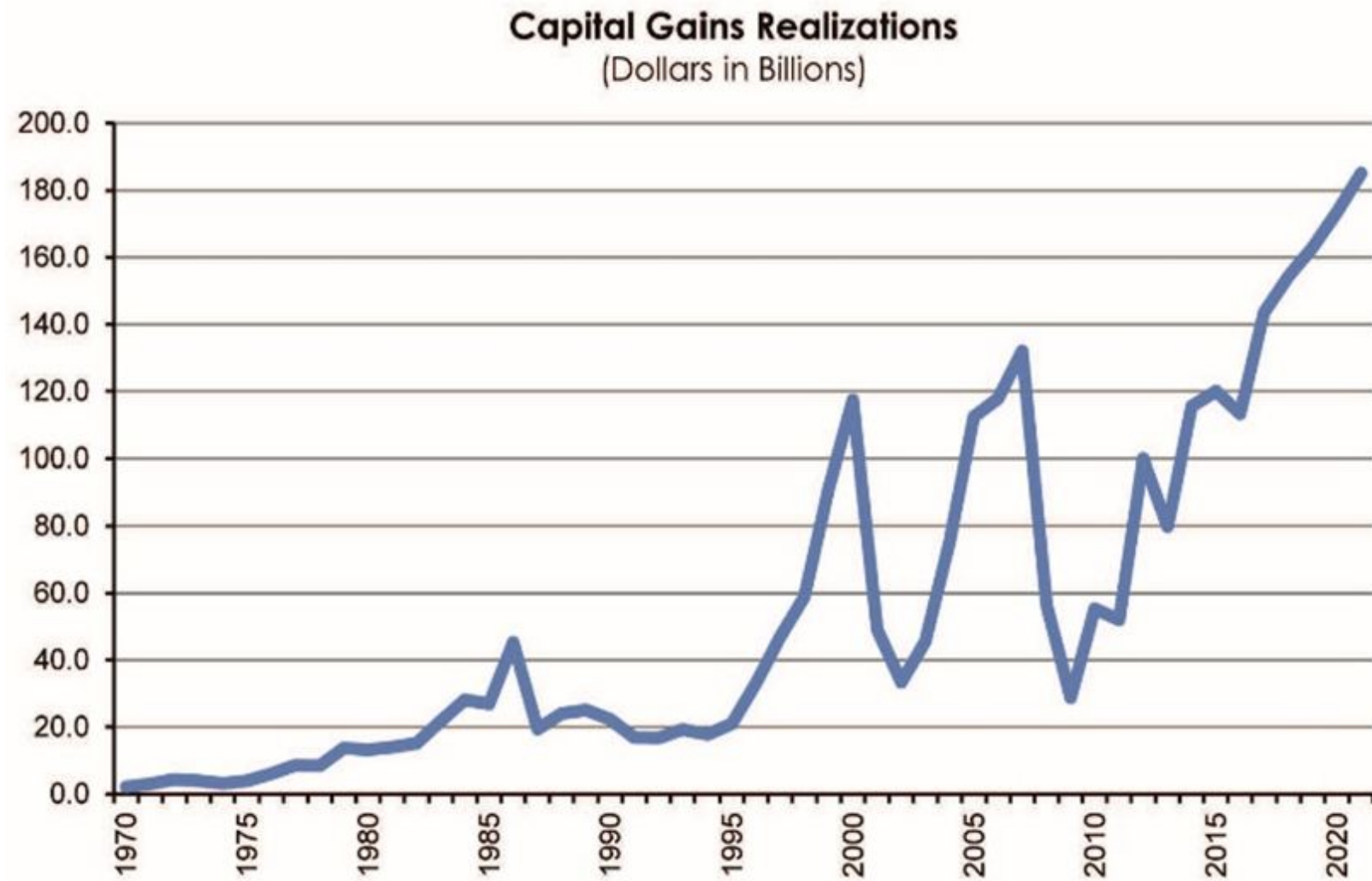
The Annual Budget Cycle



State Budget and the State Economy

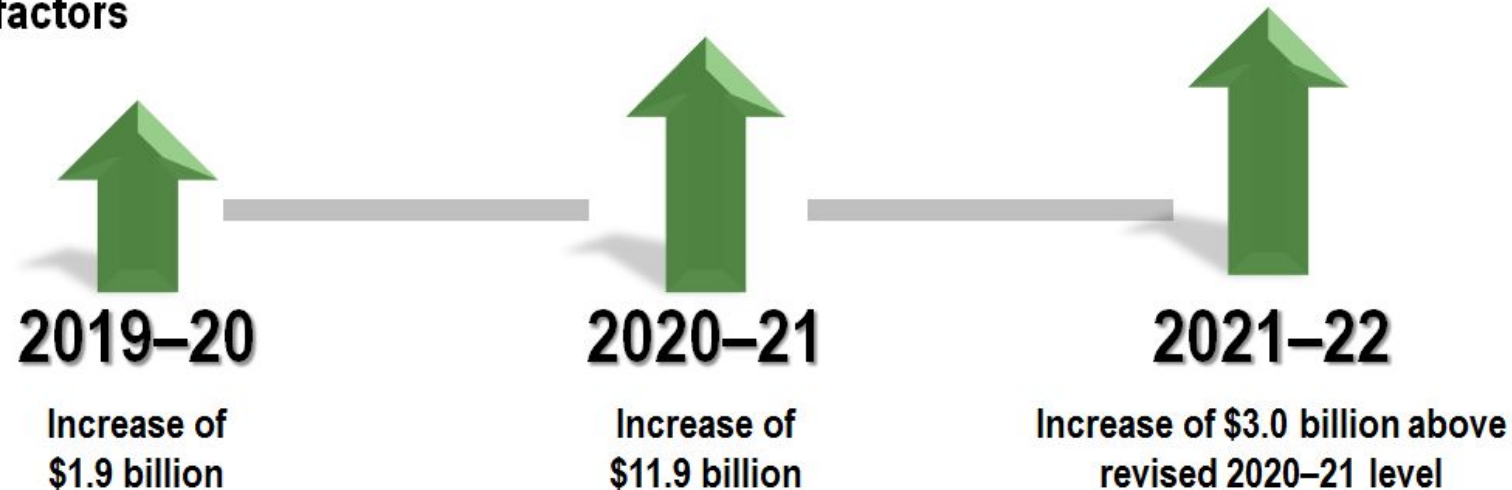
- ❑ The 2020–21 State Budget went from a planned \$5.6 billion surplus to a \$54.3 billion deficit within two months as a result of the historic pandemic. Almost every major economic indicator for both the nation and California took major hits including the Gross Domestic Product (GDP), Unemployment Rates, Nonfarm Employment, S & P 500, etc.
- ❑ Six months later, with revenue growth surpassing the original revenue expectations forecasted in the early stages of the pandemic, Governor Newsom’s Budget proposal forecasts a dramatic restoration of funding
- ❑ Driving revenue growth was the recovery of those hard-hit economic indicators that, in some instances, have fully recovered and even exceed pre-pandemic levels resulting in stronger than estimated revenue from the “Big Three” taxes
- ❑ While very welcome, the recovery has not been even for all Californians
 - ❑ We didn’t get a “V,” we didn’t get an “L,” we got a “K” shaped recovery

Capital Gains - California



The Education Budget Impact on Santa Rosa City Schools

- All California Public Schools are part of the California State Budget under the K-14 Education Budget.
- The K-14 education budget covers a period of three fiscal years
 - The Minimum Guarantee for the prior- and current-fiscal years is adjusted as part of the annual budget process—referred to as the “true up”—to ensure the state meets its annual constitutional obligation
 - The budget year Minimum Guarantee is based on current estimates of state revenue and other factors



The Education Budget Impact on Santa Rosa City Schools

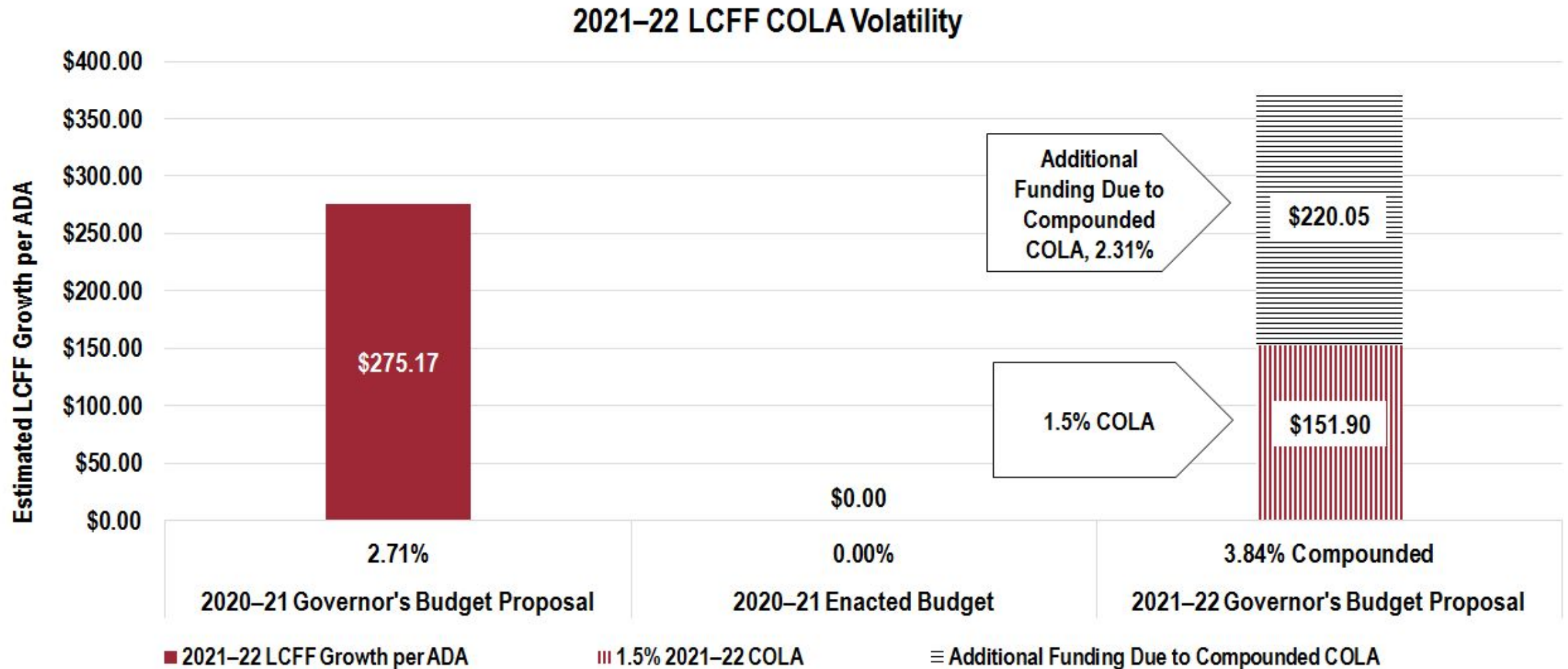
- ❑ Current year 2020-21 General Fund Revenues, 83% come from the California State Budget, with 11% from the Federal Government, and 6% from Local Sources.
- ❑ Our California State Budget is Composed of:
 - ❑ CA State Local Control Funding Formula (LCFF) Funding Factors (90% of our State Revenues)
 - ❑ CA State Other Revenues (10% of our State Revenues)

CA State Local Control Funding Formula (LCFF) Funding Factors (90% of our State Revenues)

The LCFF is composed of Four (4) Areas:

- ❑ **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 50% of the Base Grant with Grade Span Adjustment

COLA Volatility



LCFF Entitlement Factors per Average Daily Attendance (ADA):

- LCFF Base Grants with this Governor's Proposed 2021-22 Budget are up from the June Adopted State Budget for 2020-21 but the grants are lower than the pre COVID-19 projections.
- With the Grade Span Adjustments, Supplemental Grant, and Concentration Grants in the LCFF being based on the Base Grant these also are lower than the pre COVID-19 projections in the January 2020-21 Governor's Proposed Budget.

		January 2021 2021-22 Governor's Proposed Budget	June Adopted State Budget for 2020-21	Governor's May Revision for 2020-21	January 2020 2020-21 Governor's Proposed Budget (Pre-COVID-19)
2020-21	Funded COLA	0.00%	0.00%	-7.92%	2.29%
	Base Grant K-3	\$7,702	\$7,702	\$7,092	\$7,878
	Base Grant 4-6	\$7,818	\$7,818	\$7,199	\$7,997
	Base Grant 7-8	\$8,050	\$8,050	\$7,412	\$8,234
	Base Grant 9-12	\$9,329	\$9,329	\$8,590	\$9,543
2021-22	Funded COLA	3.84%	0.00%	0.00%	2.71%
	Base Grant K-3	\$7,998	\$7,702	\$7,092	\$8,092
	Base Grant 4-6	\$8,118	\$7,818	\$7,199	\$8,214
	Base Grant 7-8	\$8,359	\$8,050	\$7,412	\$8,457
	Base Grant 9-12	\$9,687	\$9,329	\$8,590	\$9,801
2022-23	Funded COLA	2.98%	0.00%	0.00%	2.82%
	Base Grant K-3	\$8,236	\$7,702	\$7,092	\$8,320
	Base Grant 4-6	\$8,360	\$7,818	\$7,199	\$8,445
	Base Grant 7-8	\$8,608	\$8,050	\$7,412	\$8,696
	Base Grant 9-12	\$9,976	\$9,329	\$8,590	\$10,078

History of SRCS LCFF Revenue Projections:

	January 2021 Updated with this January 2021-22 Governor's Proposed Budget	December 2020 Projected at 2020-21 1st Interim	June 2020 Projected at 2020-21 Adopted Budget	May 2020 Projected at 2019-20 3rd Interim	March 2020 Projected at 2019-20 2nd Interim (Pre-COVID-19)	December 2019 Projected at 2019-20 1st Interim (Pre-COVID-19)
2020-21	\$141,761,216	\$141,761,216	\$145,023,173	\$129,942,081	\$146,278,781	\$148,221,844
2021-22	\$146,759,929	\$143,212,031	\$141,228,682	\$126,547,951	\$149,211,765	\$151,640,336
2022-23	\$145,424,319	\$138,043,180	\$142,916,445	N/A	N/A	N/A

LCFF Revenue Projections are up from the lowest point of the COVID-19 pandemic but below projections pre COVID-19. It is important to note that our ADA projections have an effect on these figure changes as well that are revisited at each reporting period also.

The 2020-21 Enacted Budget included LCFF Revenue deferrals for Feb through June deferred to the next fiscal year to July through November for that and future years. This January 2021-22 Governor's Proposed Budget does not change this year's deferrals but does limit the future year's deferrals to only one deferral in June until the next fiscal year in July.

CA State Other Revenues (10% of our State Revenues)

- ❑ **Mandated Block Grant** - No changes with this January 2021-22 Governor's Proposed Budget
- ❑ **Unrestricted CA State Lottery** - No changes with this January 2021-22 Governor's Proposed Budget
- ❑ **After School Education and Safety (ASES)** - Proposed to receive the Estimated Statutory COLA of 1.50%. It is unfortunate the Newsome Administration is not proposing to make up for the 0% COLA in the current year. This could be increased to the LCFF COLA of 3.84% in the May Revision.
- ❑ **Restricted CA State Lottery** - No changes with this January 2021-22 Governor's Proposed Budget
- ❑ **Career Technical Education Incentive Grant (CTEIG) Program** - Proposed to receive the Estimated Statutory COLA of 1.50%. It is unfortunate the Newsome Administration is not proposing to make up for the 0% COLA in the current year. This could be increased to the LCFF COLA of 3.84% in the May Revision.
- ❑ **Special Education Apportionment** - Proposed to receive the Estimated Statutory COLA of 1.50%. It is unfortunate the Newsome Administration is not proposing to make up for the 0% COLA in the current year. This could be increased to the LCFF COLA of 3.84% in the May Revision. All SRCS Revenues for Special Education come through our SELPA.
- ❑ **Special Ed: Mental Health Services** - Proposed to receive the Estimated Statutory COLA of 1.50%. It is unfortunate the Newsome Administration is not proposing to make up for the 0% COLA in the current year. This could be increased to the LCFF COLA of 3.84% in the May Revision. All SRCS Revenues for Special Education come through our SELPA.
- ❑ **Special Ed: Project Workability** - Proposed to receive the Estimated Statutory COLA of 1.50%. It is unfortunate the Newsome Administration is not proposing to make up for the 0% COLA in the current year. This could be increased to the LCFF COLA of 3.84% in the May Revision. All SRCS Revenues for Special Education come through our SELPA.
- ❑ **Special Education Early Intervention Grant** - This is the first proposal we see for this grant in 2021-22. These grants were also provided in the 2019-20 Enacted Budget. In that year funding was sent to districts based on the number of preschoolers with disabilities. The funding was not restricted to serving these students. While not yet in print, the language will be similar. This is a new estimated \$883,025 in revenue to SRCS

COVID-19 Pandemic Proposed Funding

❑ Elementary and Secondary School Emergency Relief (ESSER) Funds

- ❑ ESSER funding needs to be allocated to LEAs in proportion to their 2020–21 Title I, Part A funding, expiring September 30, 2023. This is the same language as the 2020-21 Enacted Budget in which SRCS received \$2,197,379.

❑ Governor's Emergency Education Relief (GEER) Funds

- ❑ The Governor has not yet detailed how he plans to spend this round of GEER funding. The 2020-21 Enacted Budget included GEER Funds in which Santa Rosa City Schools received \$1,096,207.

❑ Higher Education Emergency Relief Fund

- ❑ California has \$2.9 billion included in the Budget for this and has not yet detailed the plans to spend this.

❑ Funding for Reopening Schools:

- ❑ Governor Newsom is calling for swift and early action by lawmakers to appropriate at least \$2 billion in one-time Proposition 98 funds to aid in the safe reopening and operation of in-person instruction for K–12 students. The Funding Formula is per ADA (not including students in independent study):
 - ❑ \$450/ADA for a February 2021 reopening
 - ❑ \$337.50/ADA for a March 2021 reopening

Expanded Learning Time and Academic Intervention Grants

- ❑ Proposed one-time funds to support academic achievement by expanding instructional time and providing targeted academic intervention, with priority for vulnerable students.
- ❑ Local educational agencies (LEAs) would receive \$1,000 for each of their homeless students that are enrolled this school year and funds in proportion to their Local Control Funding Formula (LCFF) entitlement, using 2020–21 First Principal Apportionment data for this calculation.

- ❑ Estimated Revenue to Santa Rosa City Schools:
 - ❑ Elementary District \$2.5 Million
 - ❑ High District \$7.3 Million

Other Items in the Proposal mentioned

The proposed budget includes the following programs. At this time, we have not received enough detail to define how the proposed budget may impact Santa Rosa City Schools:

- ☐ One-time funds to support Professional Learning, Teacher Effectiveness, and The Teacher Pipeline.
- ☐ Educator Effectiveness Block Grant Funds
- ☐ Statewide resources and professional development on social-emotional learning and trauma informed practices Funds
- ☐ California Early Math Initiative Funds
- ☐ Funds to the University of California Subject-Matter Projects to provide professional development targeted on learning loss in core subject-matter content areas
- ☐ Funds to support professional development and materials for LEAs who are offering courses in ethnic studies
- ☐ Transitional Kindergarten and Full-Day Incentive Funding

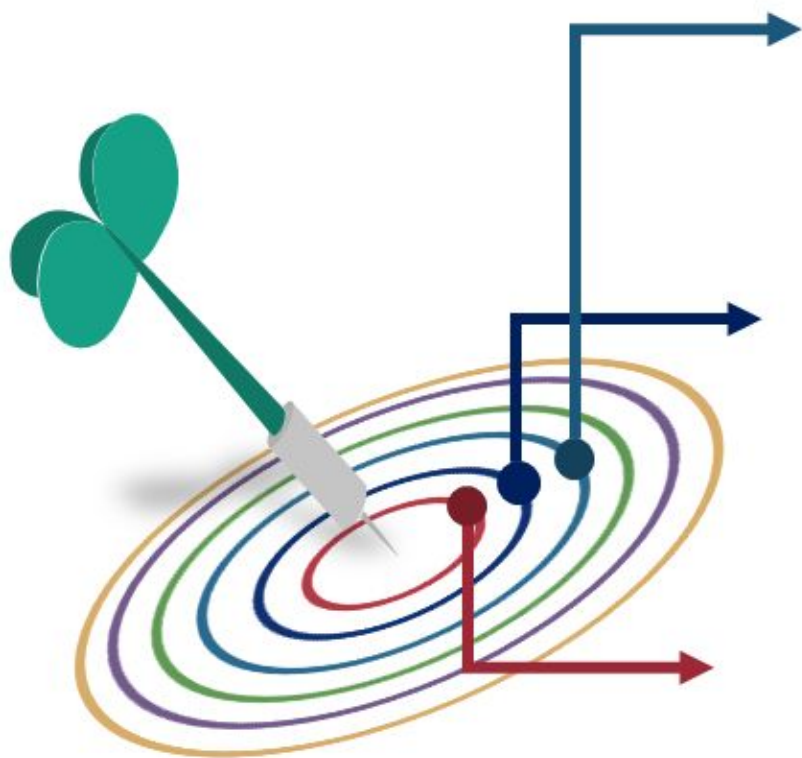
What's Not in the Budget

- ❑ COVID-19 liability coverage for districts
- ❑ Unduplicated Pupil Count hold harmless for LEAs seeing a drop in these numbers
- ❑ Additional CalSTRS and CalPERS employer rate reductions
- ❑ One-time discretionary unrestricted dollars

Other Funds

- ❑ **Fund 09 Charter Funds** - These funds are to be affected in their LCFF, Other State Revenue, and Expanded Learning Time and Academic Intervention Grants the same way the General Fund is as outlined in the above information.
- ❑ **Fund 12 State Preschool Contract** - Proposed to receive the Estimated Statutory COLA of 1.50%. It is unfortunate the Newsome Administration is not proposing to make up for the 0% COLA in the current year. This could be increased to the LCFF COLA of 3.84% in the May Revision.
- ❑ **Fund 13 Cafeteria Fund** - CARES Act - Child Nutrition Reimbursement Adds and additional \$0.75 per meal.

The Road Ahead - Multi Year Projections



Multiyear projections (MYP) are required by AB 1200 and AB 2756

Projections are anchored in reliable information as of the date of the projection—they are NOT forecasts

Projections will change any time the underlying factors change

The Road Ahead - CalPERS Employer Contribution Rates

- The Governor does not include any new funding towards CalPERS for LEAs
 - However, previous investments reduce the employer contribution rate for CalPERS from 24.9% to 23.00% in 2021–22
- The employer contribution rates to CalPERS were modified a few times since the 2020–21 Enacted State Budget, as follows:

Year	Prior Projections per Dartboard	Adjusted by CalPERS Investment Returns	Projected Rates per Actuarial Report
2020–21*	20.70%	20.70%	20.70%
2021–22	22.84%	23.01%	23.00%**
2022–23	25.50%	26.24%	26.30%
2023–24	26.20%	27.14%	27.30%
2024–25	26.20%	27.14%	27.80%
2025–26	26.20%	27.14%	27.80%
2026–27	N/A	N/A	27.60%

* Actual for 2020–21 and estimated for future years

** Governor's Budget Summary, pgs. 64-65

The Road Ahead - CalSTRS Employer Contribution Rates

- **Similar to CalPERS, the Governor does not include any new funding towards CalSTRS for LEAs**
 - **However, previous investments reduce the employer contribution rate for CalSTRS from 18.1% to 15.92%**
- **Reminder: On-Behalf Payments (expenditures in Resource Code 7690) have been excluded from the calculation for the Routine Restricted Maintenance Account contribution**

Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year-over-year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10%	0.82%
July 1, 2020	16.15%	- 0.95%
July 1, 2021*	~ 15.92%	~ - 0.23%

*Governor's Budget Summary, pgs. 64-65

The Road Ahead - Collective Bargaining

- The proposed Governor's Budget provides some bargaining opportunities and challenges
 - The 3.84% compounded COLA will assist LEAs in meeting existing obligations—but not much else
 - The annual increased cost of maintaining existing salary schedules, and related benefits, leaves few dollars on the table

Base Grant	3.84%
Minus cost increase as a percent of an LEA budget	
Step and Column	-1.50%
Health and Welfare Benefit	-0.50%
CalPERS Employer Contribution Change (2021–22)	-2.30%

? Declining enrollment

? Deficit spending

? Increased contributions to special education and other restricted programs

The Road Ahead - Collective Bargaining Challenges—Special Education Funding Implications

- **Mixed COLAs leave special education students in a difficult position and guarantee increased contributions**

Special education staff are paid on the same salary schedules as general education staff

1.5% COLA will unlikely be adequate to cover compensation increases to statutories, step and column, and health benefits, but staff salary demands will be based on 3.84% COLA

Lower COLA falls short of CPI, meaning the ability to purchase external services for students is diminished with COLA being half of the Consumer Price Index (CPI) (CPI 2020–21 = 1.4% and 2021–22 = 1.6%)

- **\$300 million ongoing Early Intervention Grant was previously unrestricted one-time money, but we should assume it to be restricted until final guidance is released**

Next Steps

January 2021

- ❑ BAC Meetings - January 7 & 21
- ❑ 2021-22 CA State Budget Proposal
- ❑ 2021-22 SRCS Enrollment Projections

February 2021

- ❑ BAC Meetings - February 4, 11, & 18
- ❑ Approval of FSP 20/21 P1

March 2021

- ❑ Second Interim Report
- ❑ BAC Meetings

April 2021

- ❑ BAC Meetings
- ❑ Present Governor's 2020-21 May Revise

May 2021

- ❑ Third Interim (If Necessary)
- ❑ BAC Meetings

June 2021

- ❑ 2021-22 Budget and LCAP Public Hearings
- ❑ 2021-22 Budget and LCAP Adoption