



Governor's Proposals for the 2022-23 State Budget and K-12 Education

**Santa Cruz City Schools
Budget Advisory Committee
January 25, 2022**

Themes for the 2022-23 Governor's Budget

- **Sea of contradictions—California revenues are extraordinary while Californians find going about their ordinary lives more difficult**
 - **A \$286 billion spending plan aims to tackle COVID-19 head on, building upon and expanding critical services for Californians**
 - **Governor Gavin Newsom seeks to address the urgent needs of the pandemic once again through quick legislative action, which is possible due to revenues**
 - **Governor Newsom strives to keep California open, staffing shortages both long and short term threaten to organically shut down California**
- **The Governor's Budget is balanced with hope California will find its equilibrium**

U.S. Economic Outlook

- The national economy continues to grow, but inflation, labor constraints, and supply and demand imbalances pose threats

Gross Domestic Product

- 2021: 5.6%
- 2022: 4.2%
- 2023: 2.7%

Resumes pre-pandemic trends by the third quarter of 2023

Employment

- Economy will add 200,000 to 400,000 jobs each month
- Unemployment rate reaches 3.4% by the end of 2022
- Labor force participation continues to lag

Inflation

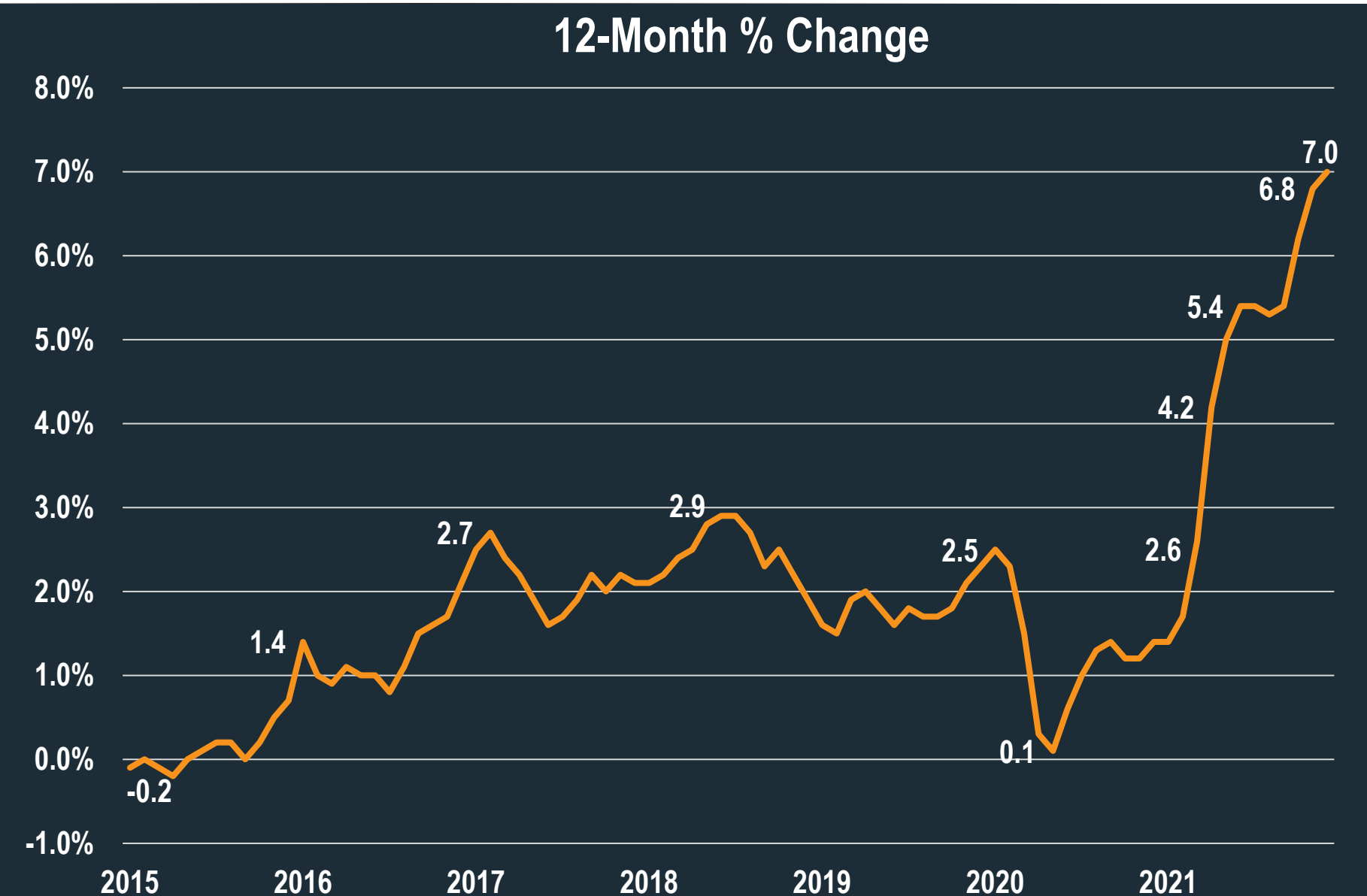
Inflation abates but still higher than pre-pandemic levels due to demand and supply imbalances

- 2021: 5.8%
- 2022: 3.4%
- 2023: 2.8%

Source: UCLA Anderson Forecast, December 2021

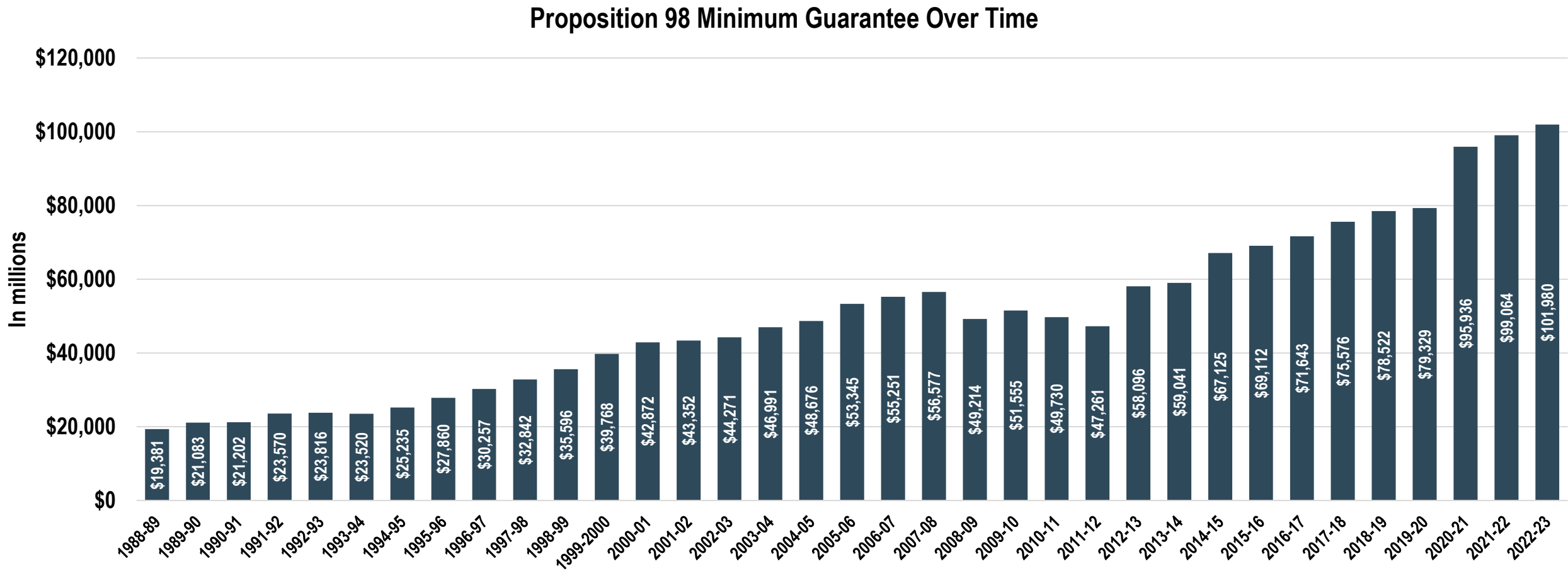
Inflation

- 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



Proposition 98

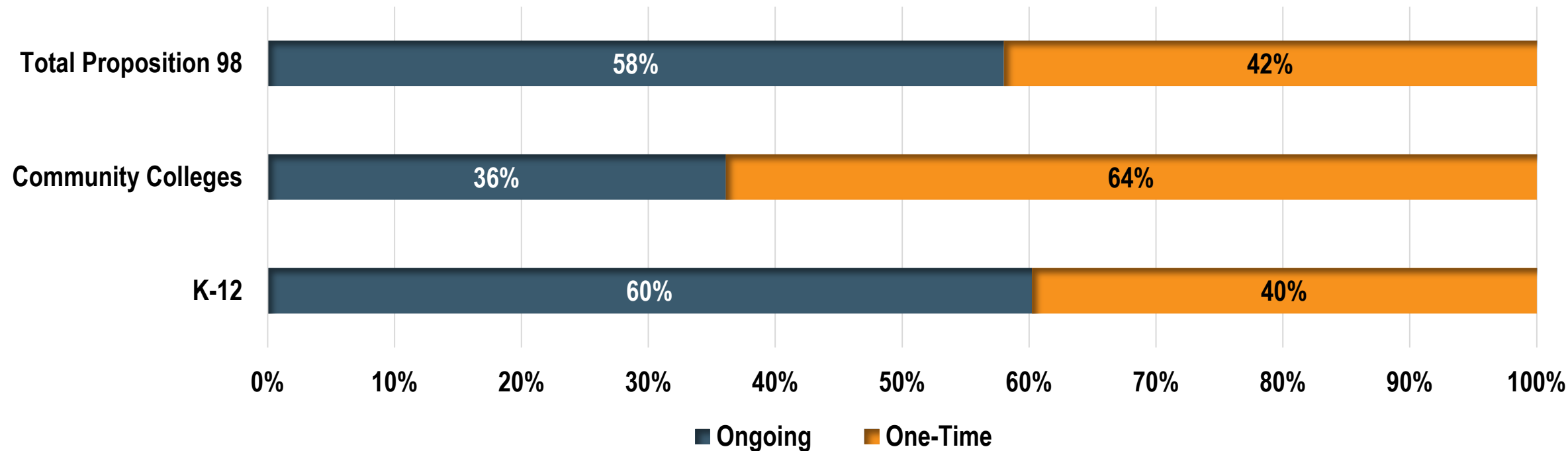
- The minimum guarantee continues its ascent to new heights, reaching \$102 billion in 2022-23
 - Since its passage, Proposition 98 has increased by over 426%



Proposition 98

- The Governor’s spending of new Proposition 98 revenues relies heavily on one-time investments
 - General apportionment formulas for K-12 and community colleges are increasing by the cost-of-living adjustment (COLA) only, or 5.33%

Governor’s Proposition 98 Spending Design
Ongoing versus One-Time Spending



Reserve Cap

- **Senate Bill 751 (Chapter 674, Statutes of 2017) set the threshold for triggering the cap on district reserves and the limits of how much school districts can maintain in their local reserves**

**When the state reserve
reaches 3% of the
K-12 portion of
Proposition 98 in that
year**

**Caps district reserves
at 10% using assigned/
unassigned ending
balance of General and
Special Reserve Funds**

**Exempts basic aid
districts and districts
with fewer than 2,501
ADA**

2022-23 LCFF Funding Factors

Grade Span	K-3	4-6	7-8	9-12
2021-22 Base Grant per ADA	\$8,093	\$8,215	\$8,458	\$9,802
5.33% COLA	\$431	\$438	\$451	\$522
2022-23 Base Grant per ADA	\$8,524	\$8,653	\$8,909	\$10,324
<i>Grade Span Adjustment</i>	\$886	—	—	\$268
2022-23 Adjusted Base Grant per ADA	\$9,410	\$8,653	\$8,909	\$10,592
20% Supplemental Grant per ADA (Total Unduplicated Pupil Percentage [UPP])	\$1,882	\$1,731	\$1,782	\$2,119
65% Concentration Grant per ADA (UPP Above 55%)	\$6,117	\$5,624	\$5,791	\$6,885

SSC Financial Projection Dartboard

Planning Factors					
	2021-22	2022-23	2023-24	2024-25	2025-26
DOF* Planning COLA	5.07%**	5.33%	3.61%	3.64%	3.62%
CalSTRS***	16.92%	19.10%	19.10%	19.10%	19.10%
CalPERS***	22.91%	26.10%	27.10%	27.70%	27.80%
Unemployment Insurance	0.50%	0.50%	0.20%	0.20%	0.20%

*Department of Finance (DOF)

**Calculated by compounding the unfunded COLA of 2.31% from 2020-21 and the statutory COLA of 1.70%, plus 1.00%, in 2021-22

***California State Teachers' Retirement System (CalSTRS); California Public Employees' Retirement System (CalPERS)

- COLA is at higher levels
 - But so are the projected cost increases that are facing local educational agencies (LEAs)

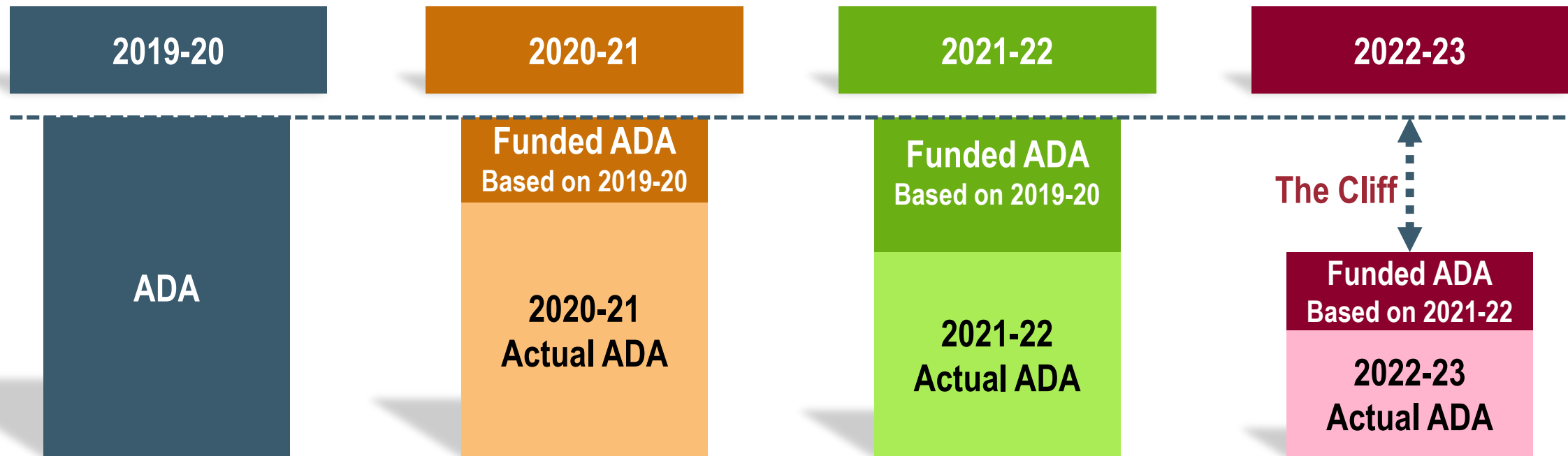
What Does the LCFF Mean for Santa Cruz City Schools?

Santa Cruz City Schools—2022-23		
2022-23 LCFF Per-ADA Funding	Projected 2022-23 ADA	Projected 2022-23 LCFF Total Revenue
\$18,232.88 Elem	1,688.78*	\$30,791,330
\$11,366.66 Sec	3,972.36*	<u>\$45,152,446</u>
		\$75,943,776

Used a projected 92.5% ADA down from 94.5%
Local Control Funding Formula (LCFF) Simulator to
generate your LEA’s unique numbers to insert in the table above.

2022-23 ADA “Cliff”

- The ADA “Cliff” has been well-publicized and the subject of many discussions
 - For charter schools and county offices of education (COEs), the impact is already being felt in 2021-22
- Good news—the Governor and Legislature are listening and hearing your collective voices



ADA Cliff—Proposed Solution

- **Current Projection for Santa Cruz City Schools**

Fiscal Year	Actual ADA	SCCS
2019-20	10,000	6,081.90
2020-21	10,000*	6,129.39**
2021-22	9,500	5,556.81
2022-23	9,250	5,661.14

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

*Result of hold harmless
** CDE gave the Secondary District 62.4 ADA credit for a closed Charter

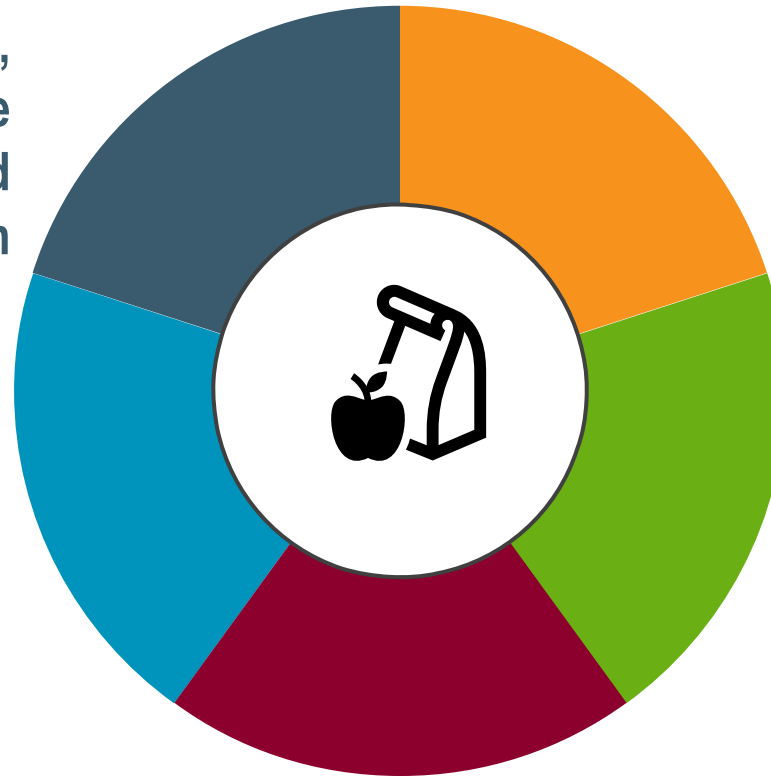
- **Goal is to turn the ADA cliff into an ADA softer landing**

Universal Meals Program

Beginning in 2022-23, LEAs must provide free breakfast and lunch each school day to any student requesting a meal, regardless of free or reduced-price meal eligibility

In order to receive state reimbursement for the two meals, LEAs must participate in both the National School Lunch Program and School Breakfast Program

LEAs with defined high-poverty schools are also required to adopt a universal meal service provision, such as the Community Eligibility Provision or Provision 2



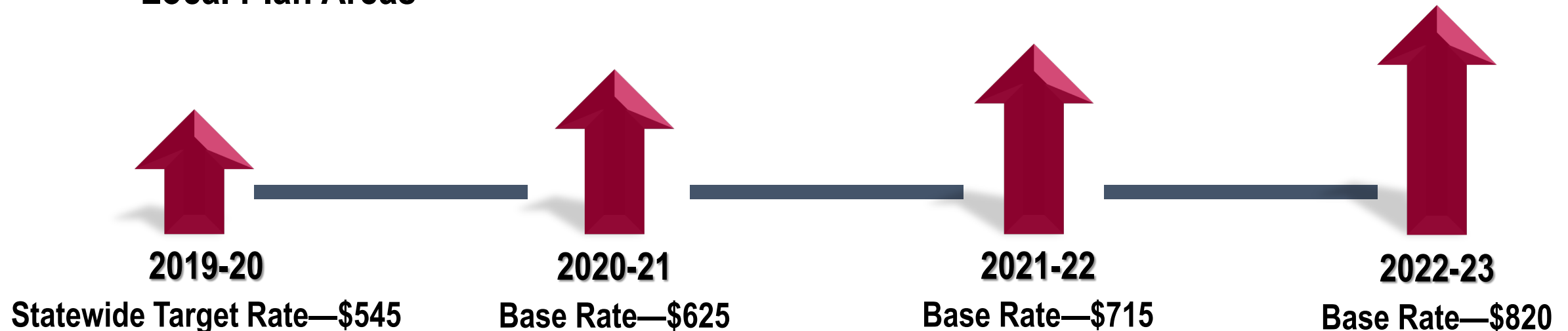
State intends to reimburse LEAs at the free meal rate, minus federal and state reimbursements for meals

All meals served must meet federal requirements for nutrition and reimbursement

There is no waiver for the program

Special Education

- Governor Newsom reinforces his commitment to young children and students with disabilities proposes commitments for ongoing special education funding
 - \$500 million in Proposition 98 General Fund special education funding
 - 5.33% COLA adjustment—\$140.6 million
 - These investments result in a Base Rate increase estimated at \$820 per ADA
 - Funds will continue to flow through the AB 602 Funding Formula via Special Education Local Plan Areas



CalPERS Employer Contribution Rates

- Governor Newsom did not propose providing relief towards the CalPERS for LEAs
- Based on the latest information from CalPERS, the employer contribution rate for 2022-23 would increase from the current rate of 22.91% to 26.10%

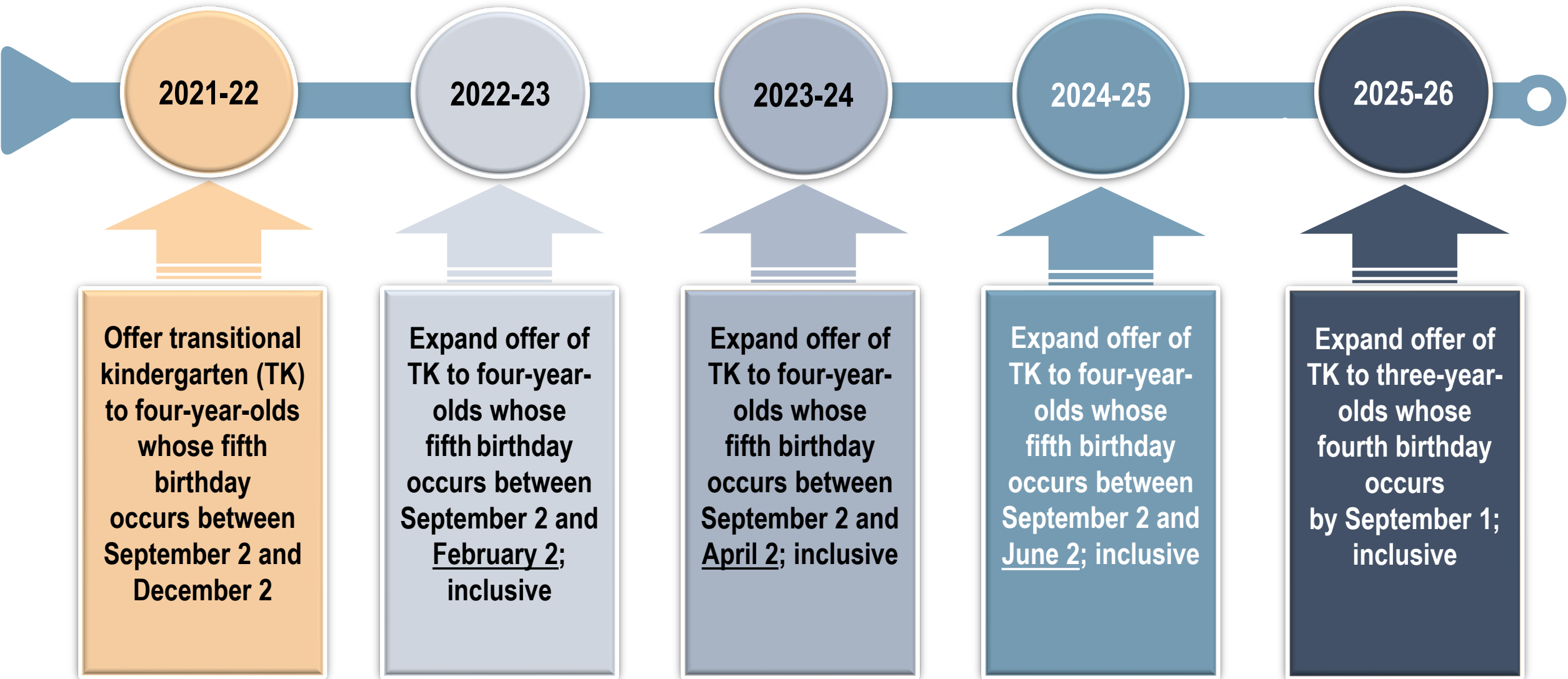
	Actual	Projected				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employer Contribution Rate	22.91%	26.10%	27.10%	27.70%	27.80%	27.60%

CalSTRS Employer Contribution Rates

- Similar to CalPERS, the Governor does not include any new funding towards CalSTRS for LEAs
- SSC recommends that LEAs anticipate a CalSTRS employer contribution rate of 19.10% in 2022-23 based on the best information available to date from CalSTRS
 - An increase of 2.18% compared to what LEAs are currently contributing in 2021-22 at 16.92%

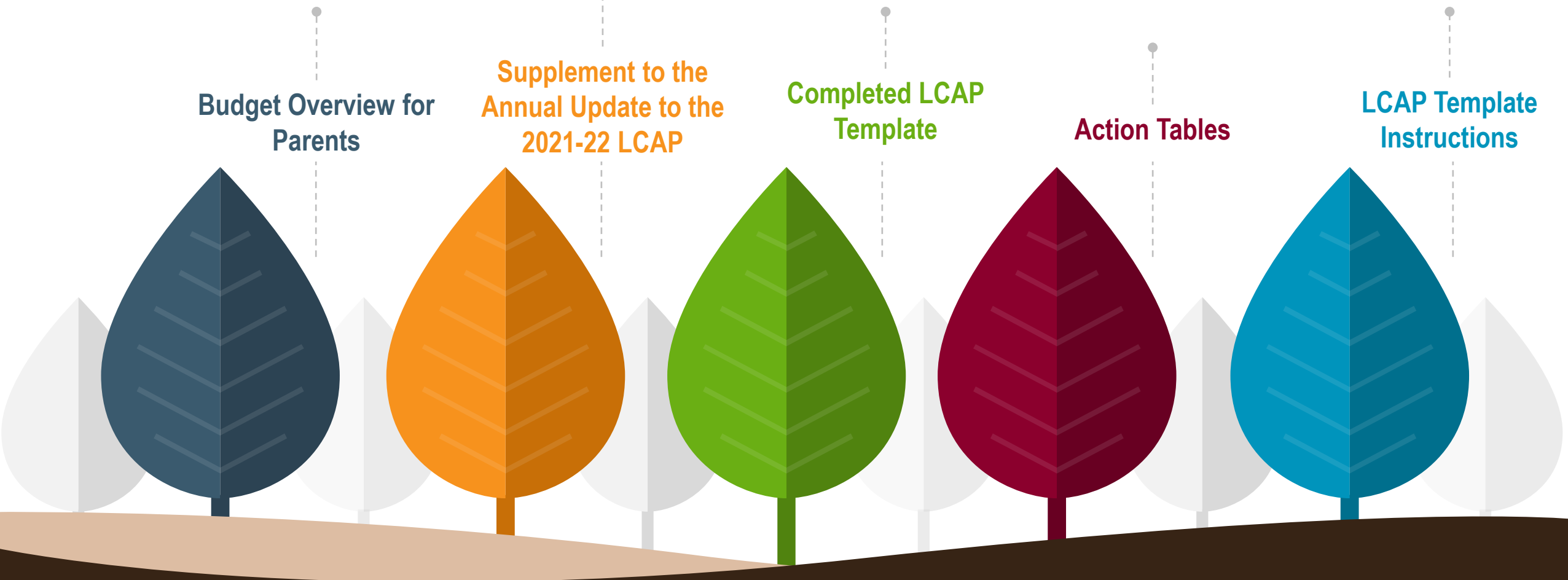
Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year-over-year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10%	0.82%
July 1, 2020	16.15%	-0.95%
July 1, 2021	16.92%	0.77%
July 1, 2022	19.10%	2.18%

Legal Requirements of Universal TK



2022-23 LCAP and 2021-22 LCAP Supplement

- The Local Control and Accountability Plan (LCAP) must be posted as one document and include the following components in the following order:



Summary of Plans for Categoricals

- A new era is here—additional funding equals more plans

Plan	Link to Plan Template/More Information	Deadline
LCAP Supplement	https://www.cde.ca.gov/re/lc/	Consideration by local governing board by February 28, 2022
A-G Completion Improvement Grant	To be determined EC § 41590(f)	Develop a plan by April 1, 2022; discuss and adopt (two separate meetings)—dates to be determined
Pre-Kindergarten Planning and Implementation Grant	https://www.cde.ca.gov/ci/gs/em/documents/finalupktemp.doc	Consideration by local governing board by June 30, 2022
Expanded Learning Opportunities Program Plan	https://www.cde.ca.gov/ls/ex/documents/eloppprogplanguide.pdf	Approved in a public meeting and posted on the local educational agency's website—dates to be determined
ESSER* I, II, and III Quarterly and Annual	https://www.cde.ca.gov/fg/cr/anreporthehelp.asp	Various— https://www.cde.ca.gov/fg/cr/reporting.asp
GEER** I Quarterly and Annual	https://www.cde.ca.gov/fg/cr/anreporthehelp.asp	Various— https://www.cde.ca.gov/fg/cr/reporting.asp

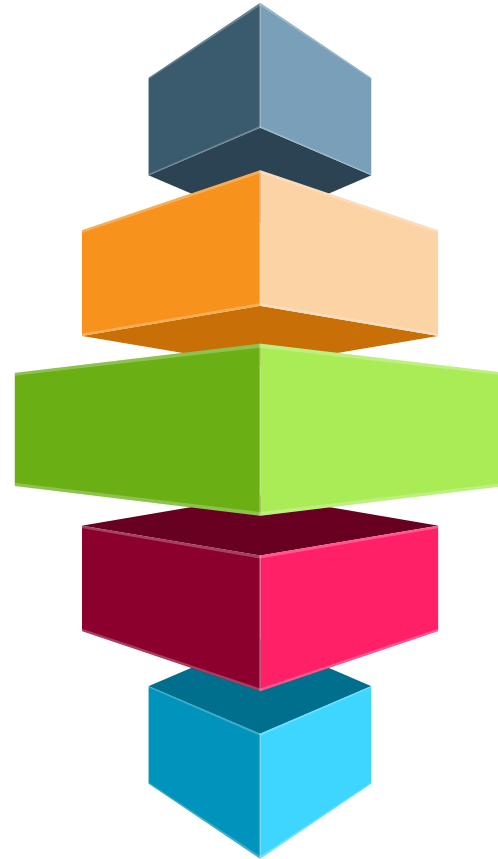
*Elementary and Secondary School Emergency Relief (ESSER)

**Governor's Emergency Education Relief (GEER)

School Facility Program

California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program

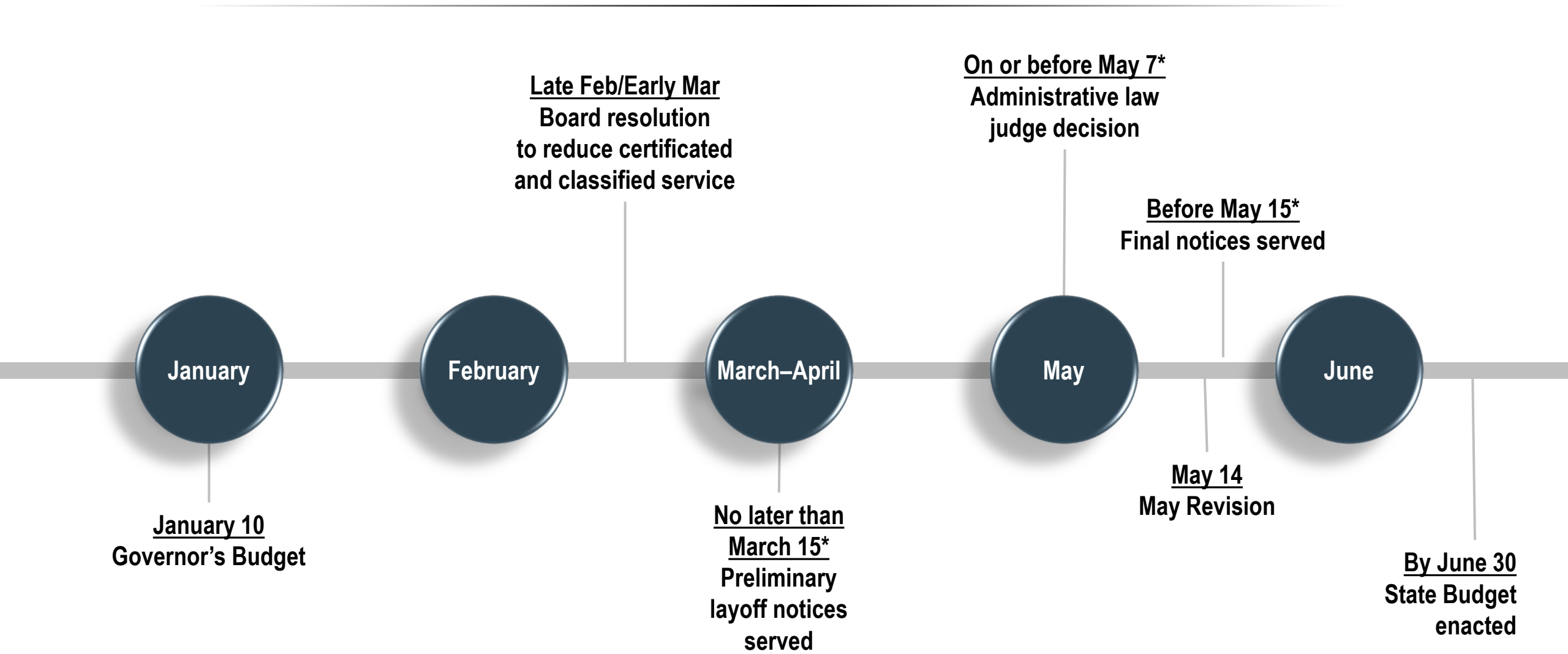
- \$490 million (\$477.7 million available)
- For the construction of new school facilities or retrofitting of existing school facilities for the purposes of providing preschool, transitional kindergarten, and full-day kindergarten classrooms
- Office of Public School Construction (OPSC) staff will present proposed regulatory amendments to the State Allocation Board (SAB) on January 26, 2022
- First round proposed to begin April 1, 2022



2021 Budget Act General Funds

- \$250 million in one-time General Funds for eligible new construction and modernization projects
- The funds are available for use until June 30, 2022
- OPSC plans on presenting the first \$250 million in requests at the January 26, 2022, SAB meeting based on order on the Unfunded List (Lack of AB 55 Loans)
 - School districts will have 90 days to submit a valid *Fund Release Authorization* (Form SAB 50-05) to request the release of funds

Certificated and Classified Layoffs and State Budget Timelines



*Statutory deadlines per EC § 44949, 44955, and 45117

Budget Advisory Committee 01/25/22

- Questions?

- Thank you!

**Next Meeting: March 8, 2022 Second Interim Information
 LCAP Input Session**

Thank you
for
attending!

