



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

Meeting of the Board of Education



February 1, 2022

Presented By:
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Overview of the State Budget and the State Economy

Themes for the 2022-23 Governor's Budget

- **California revenues are extraordinary while Californians find going about their ordinary lives more difficult every day**
 - **A \$286 billion spending plan aims to tackle COVID-19 head on, building upon and expanding critical services for Californians, and attempting to strengthen the resiliency of the state to address uncertainties and crises we cannot yet see**
 - **The crisis we can see is acute, and Governor Newsom seeks to address the urgent needs of the pandemic once again through quick legislative action, which is possible due to surging revenues**
 - **However, every problem can not be fixed with cash—staffing shortages both long and short term threaten to organically shut down California**
- **The Governor's Budget is balanced, and we hope California as a whole will find its equilibrium again soon**

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

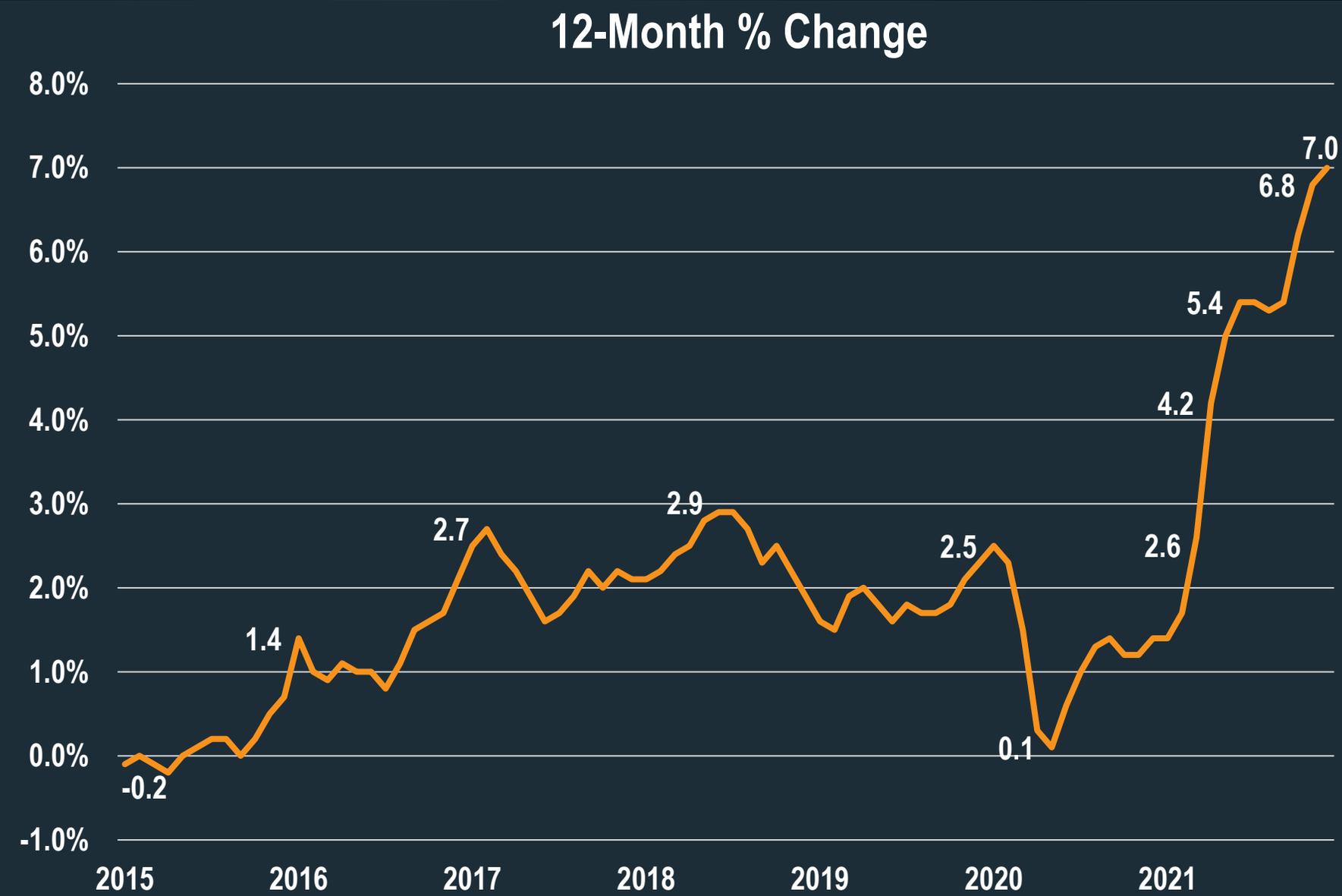
Inflation still higher than pre-pandemic levels due to demand and supply imbalances

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

Source: UCLA Anderson Forecast, December 2021

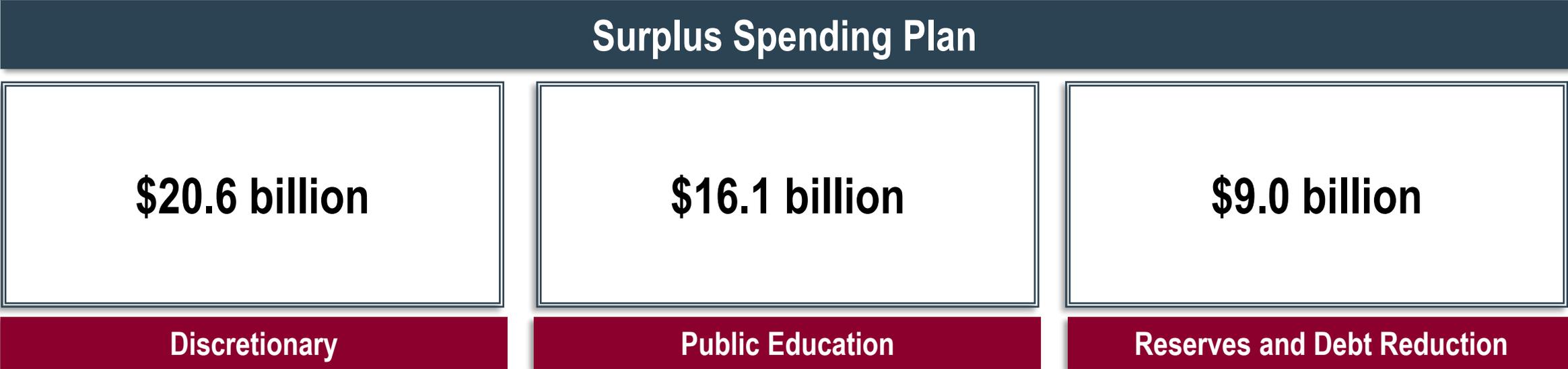
Inflation

- 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—as measured by the Consumer Price Index—which increased by 7.0% in 2021



Budget Surplus

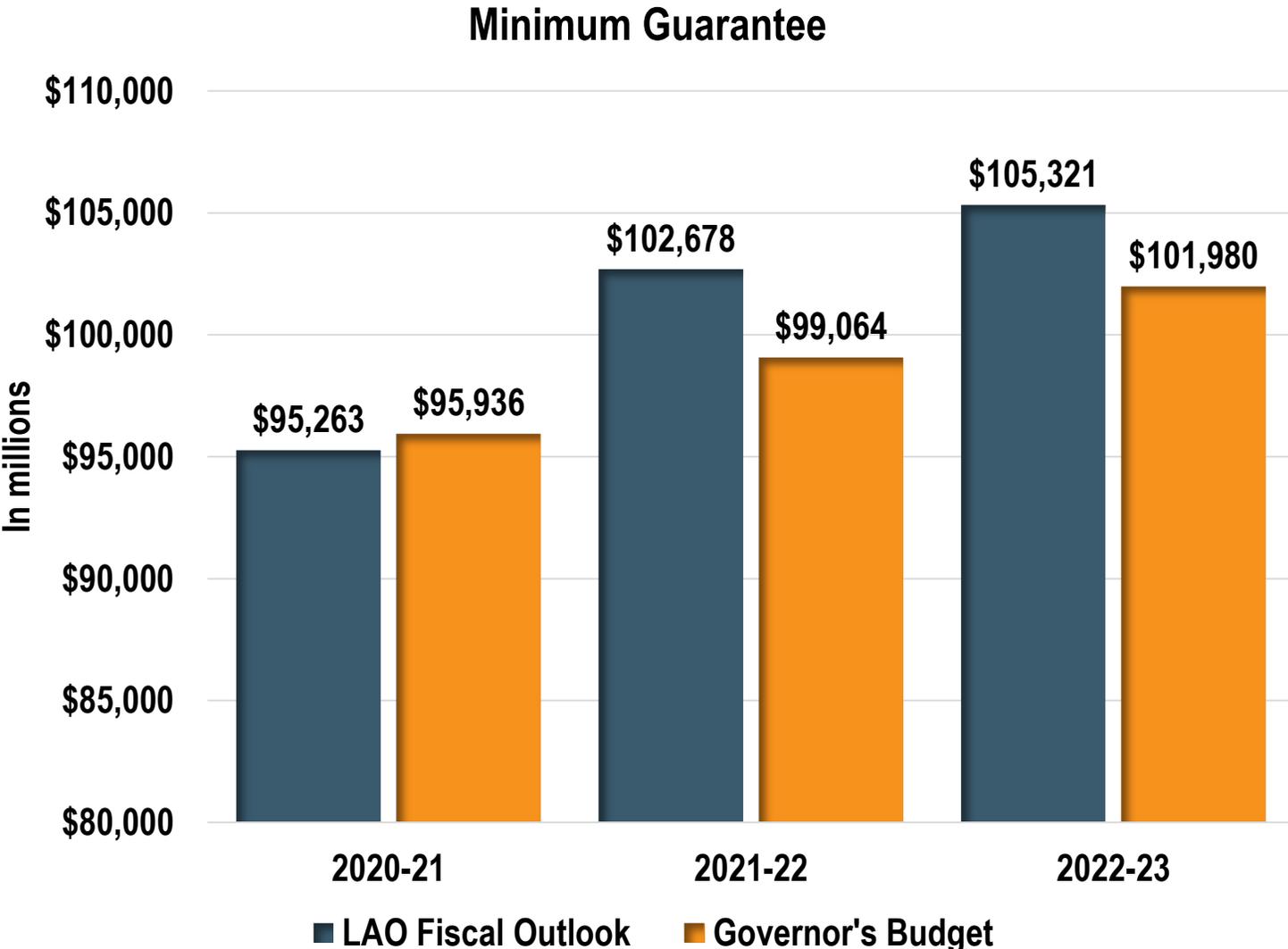
- Just a little over a year-and-a-half ago, California enacted a budget to address a daunting \$54 billion deficit as a result of the stultifying impact of COVID-19 on our economy
 - We withstood the imposition of tens of billions of dollars in deferred education payments and suspended cost of living adjustments
- The 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



Proposition 98 and Education Funding

Proposition 98

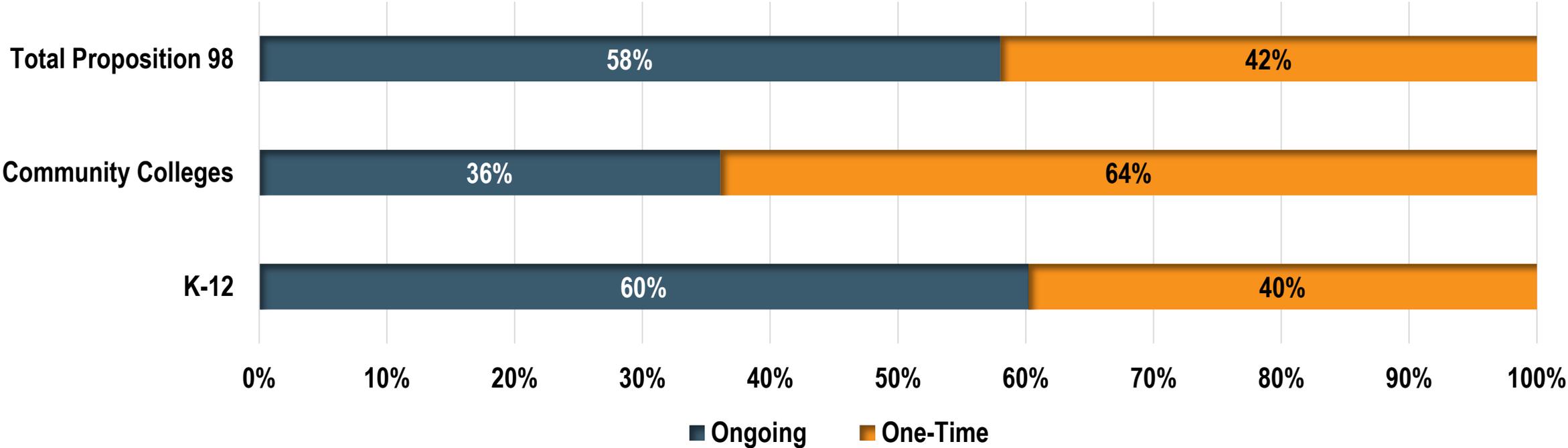
- There are state revenue estimate differences between what the Legislative Analyst's Office (LAO) predicted for California in its 2022-23 *Fiscal Outlook* and the 2022-23 Governor's Budget
 - Because Proposition 98 is determined by Test 1, the revenue differences impact the minimum guarantee in each year of the Budget window
 - In May, the Legislature and the Governor will need to come to an agreement on revenues



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



Deposit Into Proposition 98 Rainy Day Fund

- The education community continues to grapple with the reserve cap
- When the four conditions are met, a state deposit into the Proposition 98 reserve is required



Test 1

Minimum guarantee is determined by Test 1



Maintenance Factor

Proposition 98 maintenance factor prior to 2014-15 is fully paid



ADA and COLA

Proposition 98 minimum guarantee is sufficient to fund ADA* and COLA



Capital Gains

Capital gains exceed 8% of General Fund revenues

*Average daily attendance (ADA)

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

Reserve Cap Compliance Ideas

- This is an unfortunate law as no district should be penalized for prudent fiscal management

Waiver from the county office of education (COE) for two consecutive years in three-year period

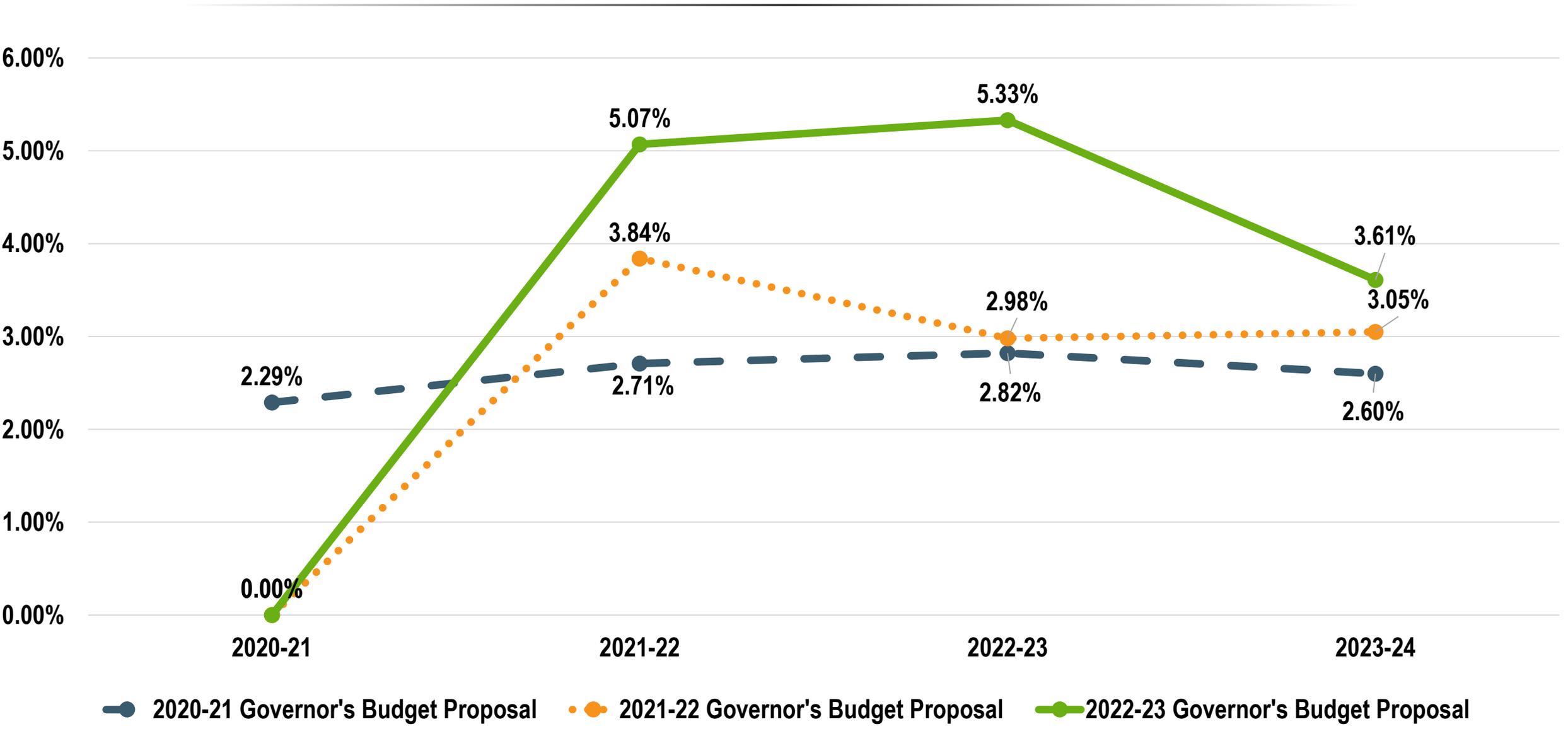
Commit resources, rather than assign



Move resources to other funds (e.g., Fund 20, 35, 40)

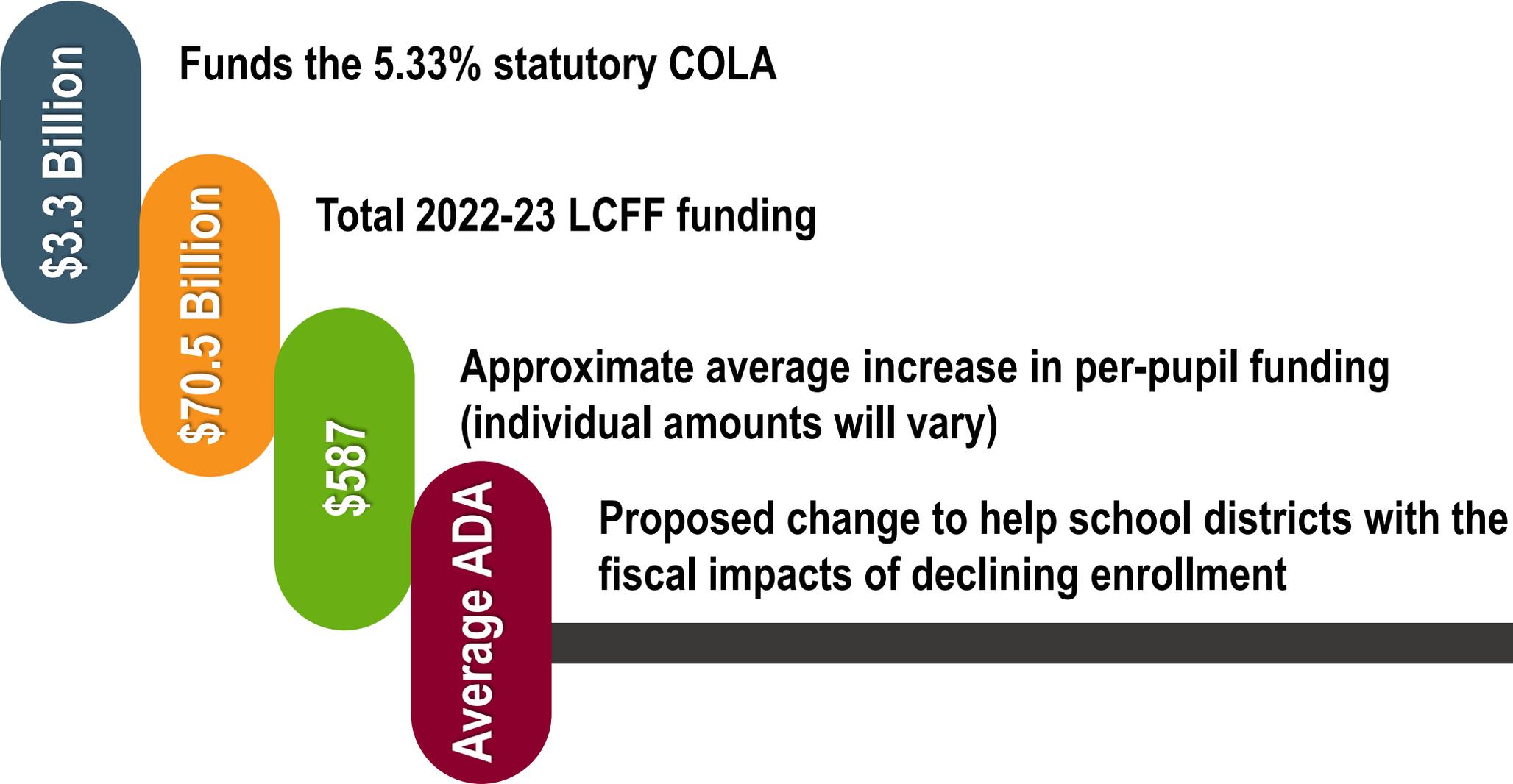
Contribute more to restricted programs (e.g., Routine Restricted Maintenance)

Ch . . . Ch . . . Ch . . . Changing COLAs



The Proposed State Budget and Local Agency Impacts

2022-23 LCFF Overview



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

What Does the LCFF Mean for Elk Grove Unified?

Elk Grove Unified PROJECTED 2022-23		
2022-23 LCFF Per-ADA Funding	Projected 2022-23 ADA	Projected 2022-23 LCFF Total Revenue
\$10,657	60,855.33	\$648,557,034

- The Governor’s proposed COLA would generate an ongoing increase of \$32 million in revenue for the 2022-23 school year.
- This the change in COLA from 2.48% to 5.33% projects an additional \$16 million than our original projection of \$15 million at 1st Interim.

ADA Cliff—Proposed Solution

- Many solutions have been entertained, and the Governor included one additional option:

Current Law for School Districts

Education Code Section (EC §) 42238.05(a)(1) provides funding through the LCFF on the greater of:

Current Year ADA
or
Prior Year ADA

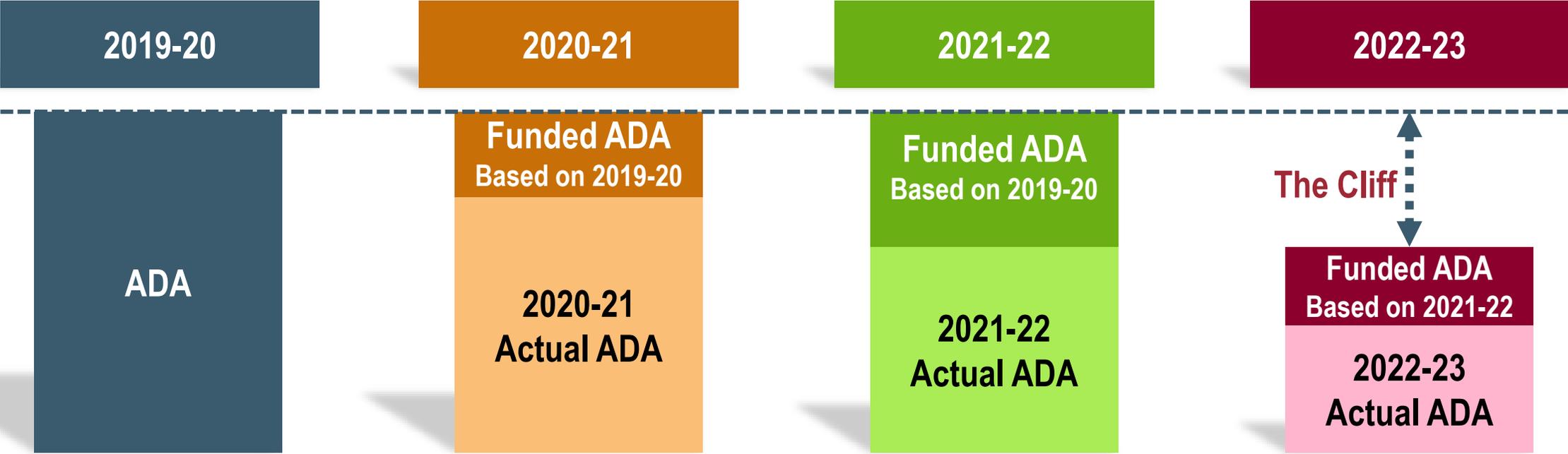
Governor's Proposal for School Districts

Funding would be based on the greater of:

Current-Year ADA,
Prior-Year ADA
or
Computed average ADA using the prior three years' ADA

2022-23 ADA “Cliff”

- The ADA “Cliff” has been well-publicized and the subject of many discussions
- Good news—the Governor and Legislature are listening to our collective voices



ADA Cliff—Proposed Solution

- **Elk Grove Unified**

Fiscal Year	Funded ADA
2019-20	60,861
2020-21	60,681*
2021-22	57,179
2022-23	56,127

Funded ADA for 2022-23	
Current Law	57,179
Governor’s Proposal	59,513
Difference	2,334

*Result of hold harmless

- **Goal is to turn the ADA cliff into an ADA softer landing**
- **Under current law this would result in a loss of \$67 million in ongoing revenue**
- **Based on the Governor’s proposal the result would be a loss of \$42 million in ongoing revenue**

Child Care and Preschool

- Governor Newsom continues to implement the state's Master Plan for Early Learning and Care

Provides additional 36,000 child care slots

\$824 million

Supports a full year of rate increases for child care providers

\$373 million

Funds the Child Care Initiative Project through June 30, 2023, to address areas of underserved providers, increases slots, and supports providers that want to be licensed

\$25 million

Provides inclusive instruction for students with disabilities and support for dual language learners served by the California State Preschool Program

\$309 million

Funds the Inclusive Early Education Expansion Program
(One-time Proposition 98 General Fund)

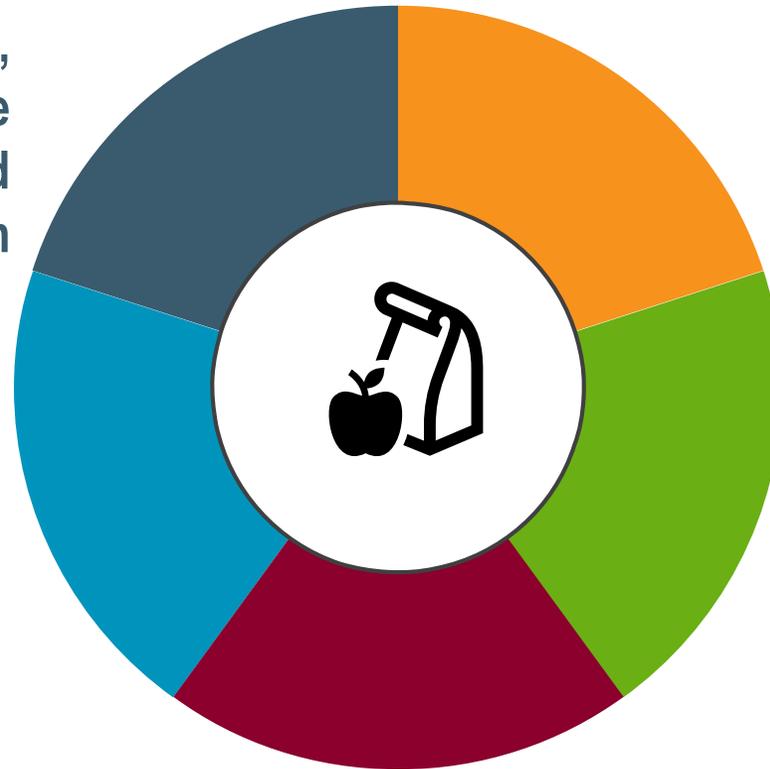
\$500 million

Universal Meals Program

Beginning in 2022-23, Districts 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, Districts must participate in both the National School Lunch Program and School Breakfast Program

Districts 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 Districts 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

Career Pathway Programs

To support the development of career pathway programs for critical job needs, the Governor proposes \$1.5 billion (one-time) over four years



Programs are predicated on developing local partnerships that bring together school systems, higher education institutions, employers, and other relevant community stakeholders

Pathway programs focused on technology, health care, education, and climate-related fields

Dual Enrollment

- Dual enrollment allows high school students to take classes that count towards high school graduation and college credit
- Governor Newsom is proposing a one-time investment of \$500 million (over four years) to strengthen and expand student access and participation in dual enrollment opportunities
 - These opportunities would be coupled with student advising and support services



Educator Workforce Investments

- The Governor’s Budget proposal reflects a continued commitment to strengthening recruitment efforts and increasing the number of qualified teacher candidates
- The investments build upon the \$2.9 billion multiyear package provided in the 2021 State Budget and include \$54.4 million in one-time Proposition 98 and General Fund dollars

Teacher Credentialing Fees

- \$24 million to waive teacher examination fees
- \$12 million to extend the waiver of select credentials fees

Recruit Diverse and Expert Teacher Workforce

- \$10 million to provide grants to develop integrated teacher preparation programs
- \$5.2 million to assist LEAs in improving recruitment and hiring practices
- \$2.3 million for CTC¹ career counselors and recruitment outreach programs

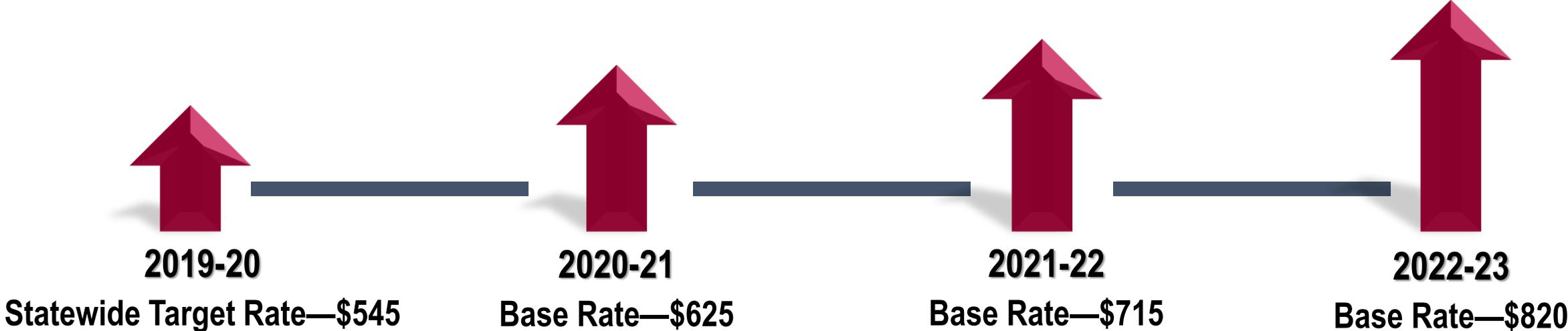
Substitute Flexibility

- Extends statute authorizing a substitute teacher to serve in a substitute teaching assignment for up to 60 cumulative days for any one assignment

¹Commision on Teacher Credentialing

Special Education

- **Governor Newsom reinforces his commitment to young children and students with disabilities by proposing an integrated package of investments in early prevention and intervention and 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 CalPERS for Districts
- 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%

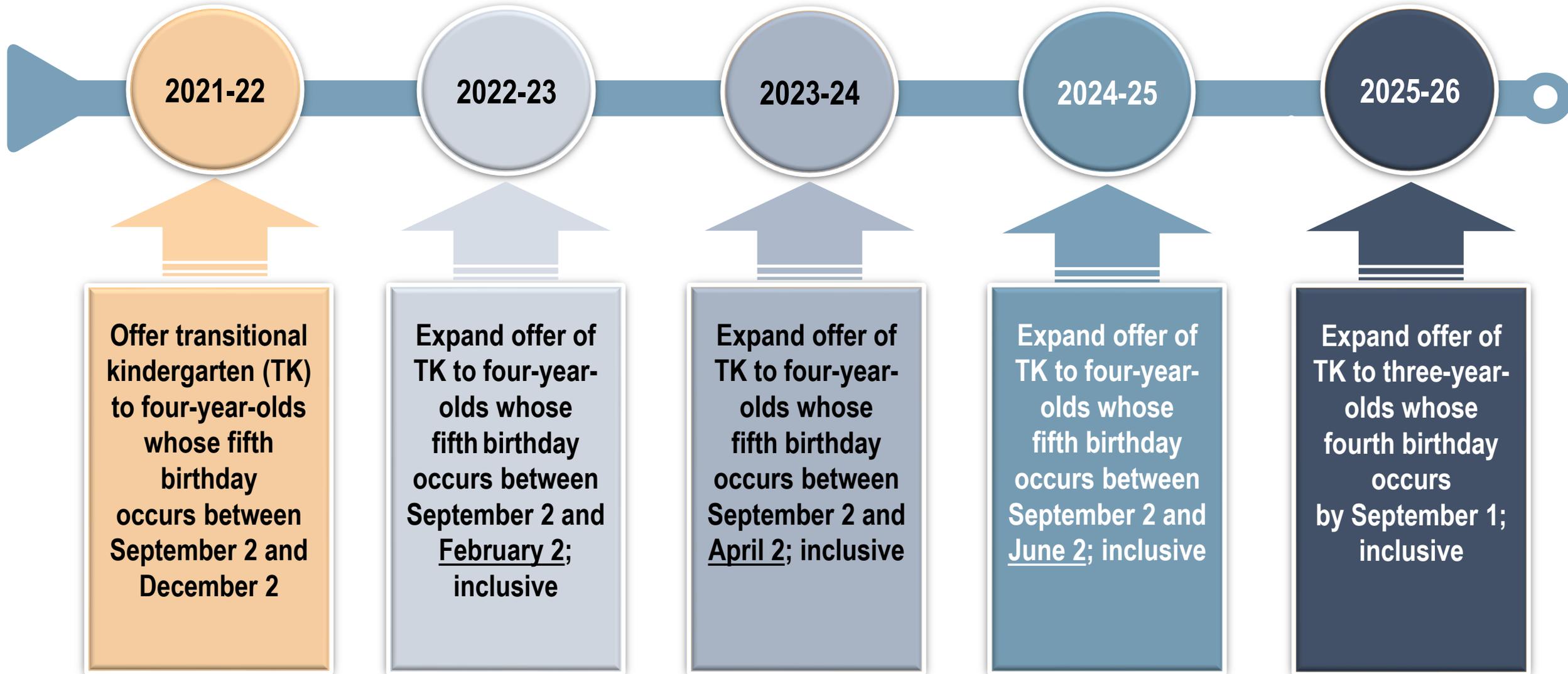
	Actual	Projected				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employer Contribution Rate	22.91%	26.10%	27.10%	27.70%	27.80%	27.60%

CalSTRS Employer Contribution Rates

- **Similar to CalPERS, the Governor does not include any new funding towards CalSTRS for Districts**
- **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 Districts 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%

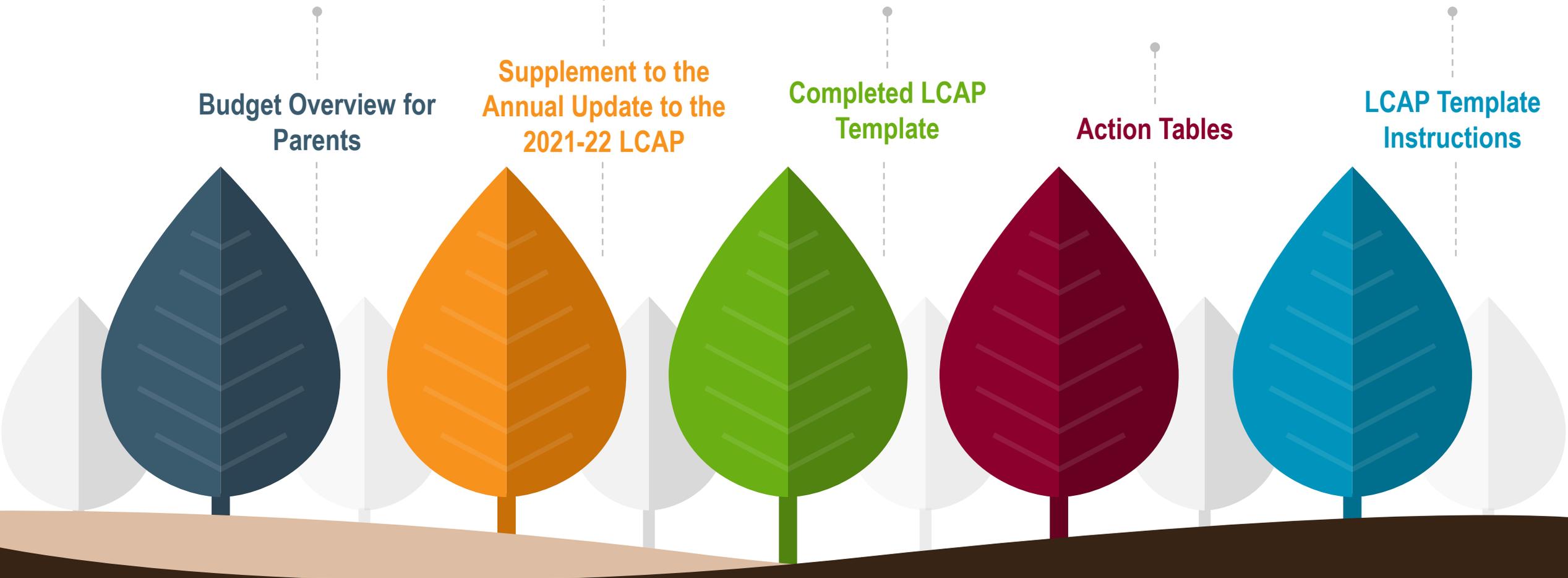
Legal Requirements of Universal TK



Education Code Sections (EC §) 48000(c)(1)(C)—(G)

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:



2021-22 Supplement—What's Due

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

- There is only one template—[Supplement to the Annual Update to the 2021-22 LCAP](#) (Supplement)
- Districts are not being asked to update the 2021-22 LCAP Annual Update nor the Budget Overview for Parents separately
- There is no separate template or specific document that an District must use when providing mid-year outcome and expenditure data
- Supplement will be part of the review, adoption, and approval process for the 2022-23 LCAP

A-G Completion Improvement Grant Plan

EC § 41590 requires Districts to *develop* a plan on or before April 1, 2022



The law requires LEAs to discuss the plan at a regularly scheduled board meeting to ensure community input before the plan is adopted in a *subsequent* regularly scheduled board meeting

Note that the law does not establish deadlines for either the board meeting at which the plan is to be discussed nor the board meeting during which it is adopted

A-G Completion Improvement Grant Plan

■ The A-G Completion Improvement Grant Plan requirements must include:

1 **Increase/Improve Services**
How the grant funds will increase or improve services for an Districts unduplicated students to improve their A-G eligibility

2 **Retake A-G Courses**
Number of students identified for retaking A-G courses that they did not pass in the spring semester of 2020 or at any time during the 2020-21 school year

3 **Supplement not Supplant**
How the plan and described services supplement, and do not supplant, services included in an Districts LCAP and its AB* 86 Expanded Learning Opportunities Grant Plan

4 **Access**
Describe access for all students, particularly unduplicated students, to A-G courses approved by the University of California

*Assembly Bill (AB)

Summary of Plans for Categoricals

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

Plan	Deadline
LCAP Supplement	Presented to local governing board by February 28, 2022
A-G Completion Improvement Grant	Develop a plan by April 1, 2022; discuss and adopt (two separate meetings)—dates to be determined by local governing board
Pre-Kindergarten Planning and Implementation Grant	Presented to local governing board by June 30, 2022
Expanded Learning Opportunities Program Plan	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	Various
GEER** I Quarterly and Annual	Various

*Elementary and Secondary School Emergency Relief (ESSER)

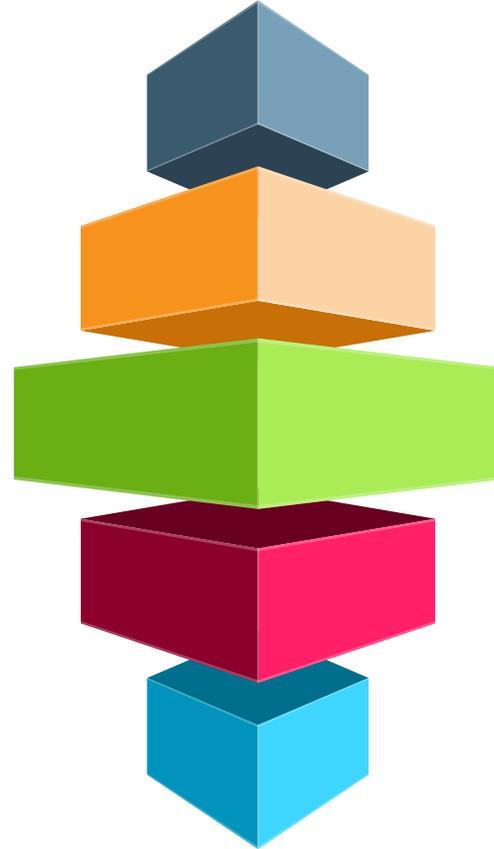
**Governor’s Emergency Education Relief (GEER)

Other Operational Considerations

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

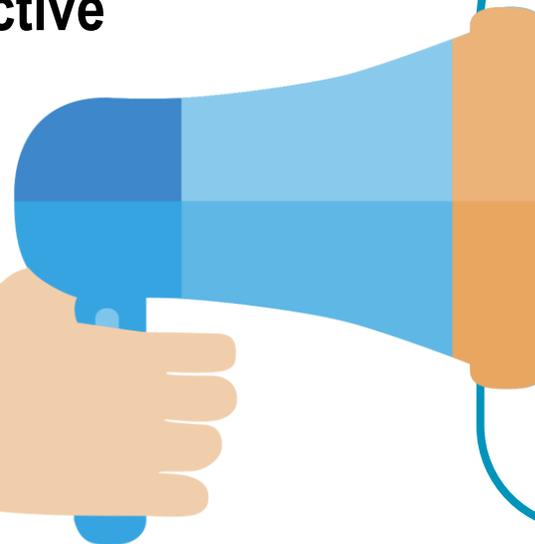
Transportation

- **Governor Newsom is proposing \$1.5 billion one-time (available over three years) to support school transportation programs**
 - **LEAs to receive grants (of at least \$500,000) for the acquisition of electric school buses, construction of bus charging stations, and to support local school bus transportation needs**
 - **Priority would be given to LEAs with a high concentration of unduplicated pupils as well as small and rural LEAs**
- **The Governor is also proposing a workgroup to streamline the process of training and licensing new school bus drivers**



COVID-19 Employment Reminders

- Due to the rise in COVID-19 cases, the Governor's Budget calls for early action by the Legislature to protect the state's workforce by modifying the previous COVID-19 Supplemental Paid Sick Leave (SPSL) provided for in SB 95 (Skinner, Statutes of 2021)
 - Provided 80 hours of COVID related sick leave
 - Expired September 30, 2021
- Beyond the call to action, the Governor's Budget is silent on what modifications to the previous SPSL may look like in terms of hours, eligibility requirements, or effective and expiration dates



**CALL
TO
ACTION**

Thank you!