



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

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Purpose of Presentation

- **School Services of California's Presentation on the 2022-23 Governor's Budget Proposal**
- **State Budget and Economy**
- **Local Control Funding Formula (LCFF) Factors**
- **Senate Bill (SB) 751 – Cap on District Reserves**
- **Multi-Year Projections (MYP)**
- **2022-23 Average Daily Attendance (ADA) Cliff**
- **What's Not Included in the Budget Proposal?**
- **SB 328 Later School Start Times for Junior High and High Schools**
- **Proposed Legislation**
- **Next Steps**

Themes for the 2022-23 Governor's Budget

- California **revenues** are **extraordinary** while Californians find going about their ordinary lives more **difficult** every day
- Robust state revenues provide the state General Fund with a **surplus of \$45.7 billion** for the 2022-23 fiscal year
- The **Governor's Budget is balanced**, and the hope is that California as a whole will find its equilibrium again soon
- While there are many positive economic indicators, there is still a level of **economic uncertainty** due to the **unpredictability** of COVID-19
- **Inflation** has become a major concern as the cost of everyday **goods** and **services** continue to rise to levels not seen since **1982**

Proposition 98 and the Education Budget

- Proposition 98 in the 2022-23 Governor's Budget reaches an all-time high
 - Provides \$16.1 billion in new revenues for K-14 education
 - But there are strings
 - For the first time, most school districts will be required to spend down their reserves
 - A sizeable share of new funding is proposed for restricted purposes, leaving few resources to address increased costs associated with soaring inflation and rising pension obligations



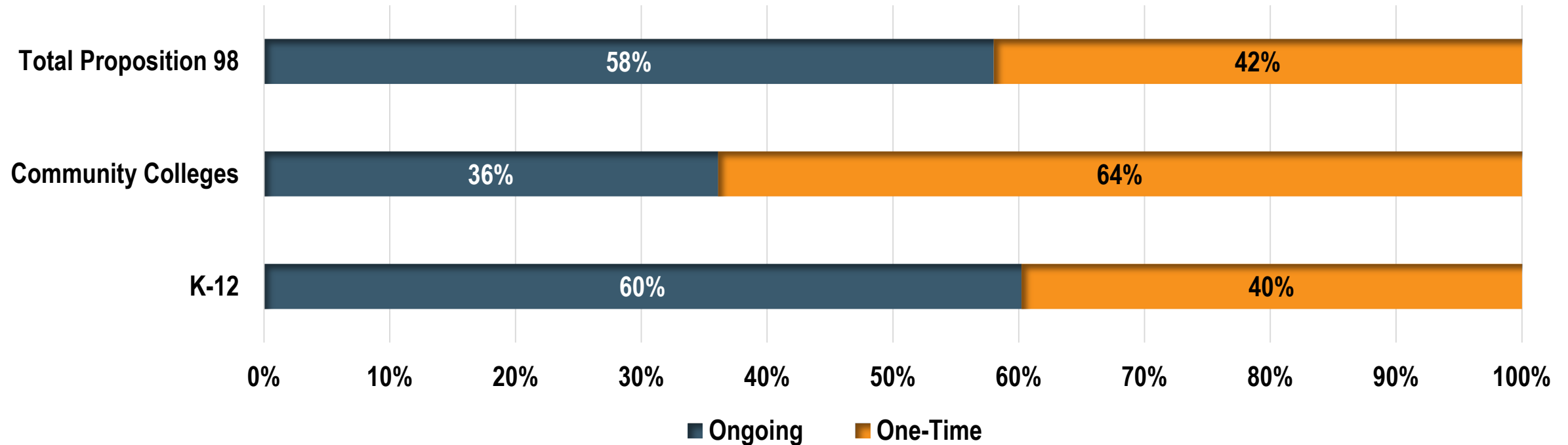
Proposition 98 and the Education Budget

- Governor Newsom's education budget proposals appear to recognize the intense **pressures** school districts are under to **serve students** amidst the health crisis and be agile in doing so by:
 - ✔ **Avoiding new initiatives that require the development and adoption of yet another plan**
 - ✔ **Building on the critical investments of the 2021 Budget Act to address varied student needs**
 - ✔ **Heeding concerns about a stubborn decline in student enrollment and attendance and its impact on the fiscal health of school agencies now and into the future**
- There's much to be **grateful** for in the Governor's plan, but we could benefit from proposals that invest in "**first, best**" instruction and in the educators who dedicate their lives to our children

Proposition 98

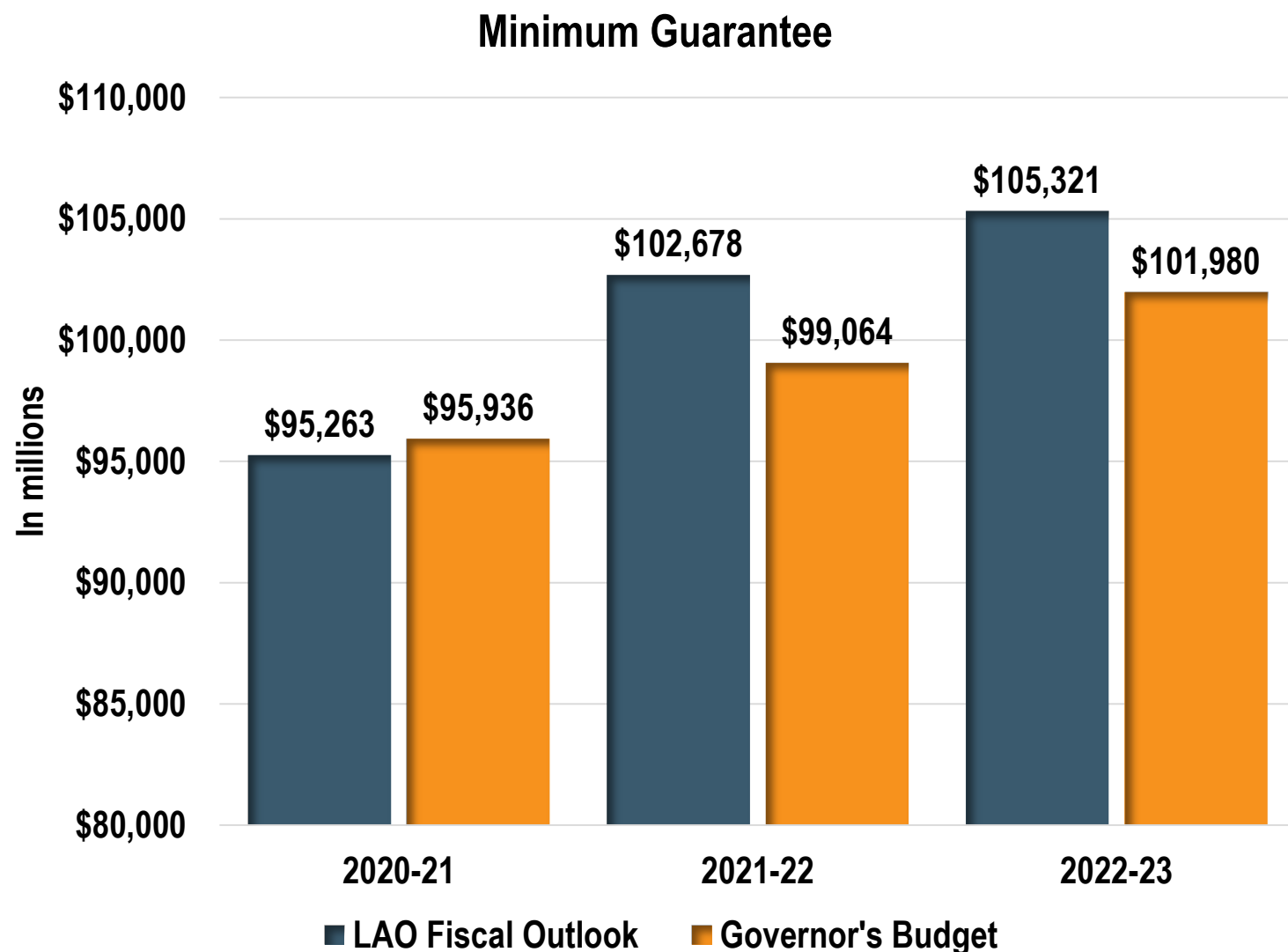
- The Governor's spending of new Proposition 98 revenues relies heavily on one-time investments
 - General apportionment formulas for K-12 and community colleges are increasing by COLA only, or 5.33%

**Governor's Proposition 98 Spending Design
Ongoing versus One-Time Spending**



Proposition 98

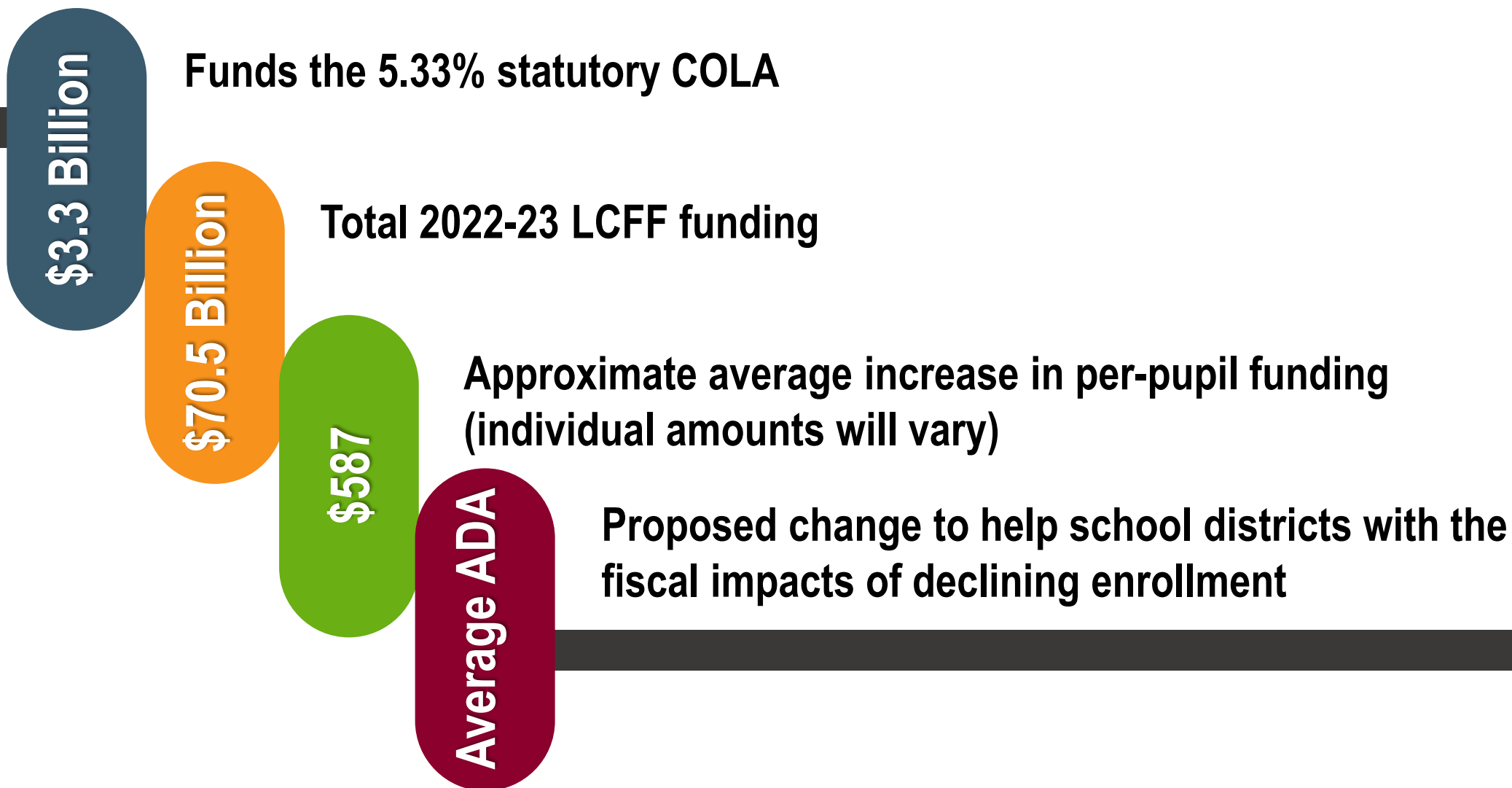
- There are state revenue estimate **differences** between what the Legislative Analyst's Office (LAO) predicted for California in its 2022-23 *Fiscal Outlook* and the 2022-23 Governor's Budget
 - In **May**, the **Legislature** and the **Governor** will need to come to an **agreement** on revenues



Proposed State Budget and LEA Impacts

- The Newsom Administration, thankfully, proposes **fewer new initiatives** than in 2021-22
 - Core programs receive a significant **statutory cost-of-living adjustment** (COLA) to address the significant cost increases associated with **pensions and historic levels of inflation**
 - Proposed changes to the Local Control Funding Formula (LCFF) and special education are relatively straightforward
 - Infrastructure funding for facilities, kitchen facilities, and transportation are **welcomed one-time investments**
 - As expected, the Administration proposes to ramp up the **Expanded Learning Opportunities (ELO) Program** and fund **lower** Universal Transitional Kindergarten (TK) ratios
 - **New programs** such as Early Literacy and College and Career Pathways aim to enrich California's TK-12 education

2022-23 LCFF Overview

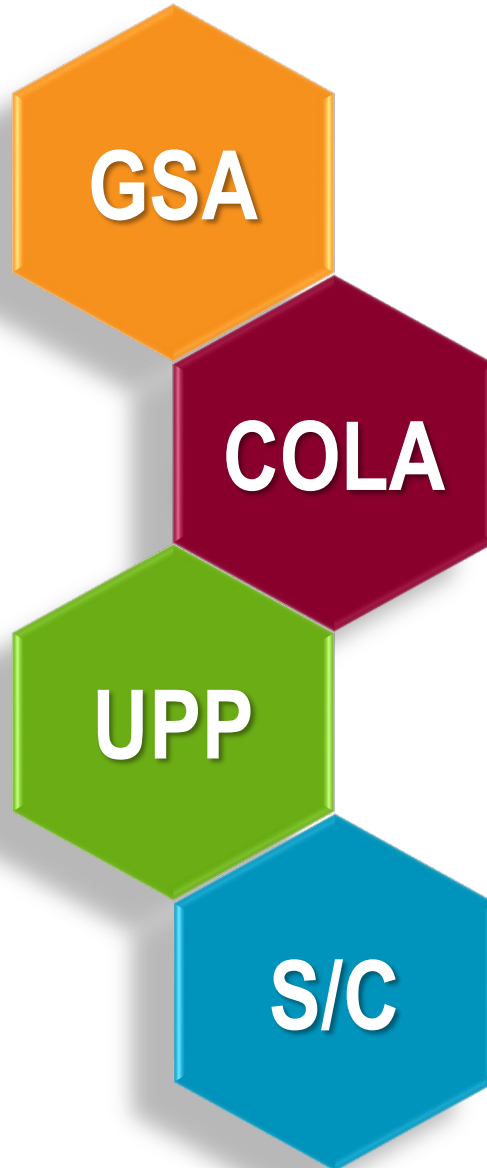


2022-23 LCFF Funding Factors

Grade span adjustments (GSAs)
applied as percentage increases to
the base grants

- Grades K-3—10.4%
- Grades 9-12—2.6%

Unduplicated pupil percentage (UPP)—LEA's enrolled students who are English learners, free or reduced-price meal program eligible, or foster youth



5.33% estimated statutory COLA
applied to the base grants

Supplemental and concentration (S/C)
grants calculated based on the UPP

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
GSA	\$886	—	—	\$268
2022-23 Adjusted Base Grant per ADA	\$9,410	\$8,653	\$8,909	\$10,592
20% Supplemental Grant per ADA (Total 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

Reserve Cap

- Senate Bill (SB) 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

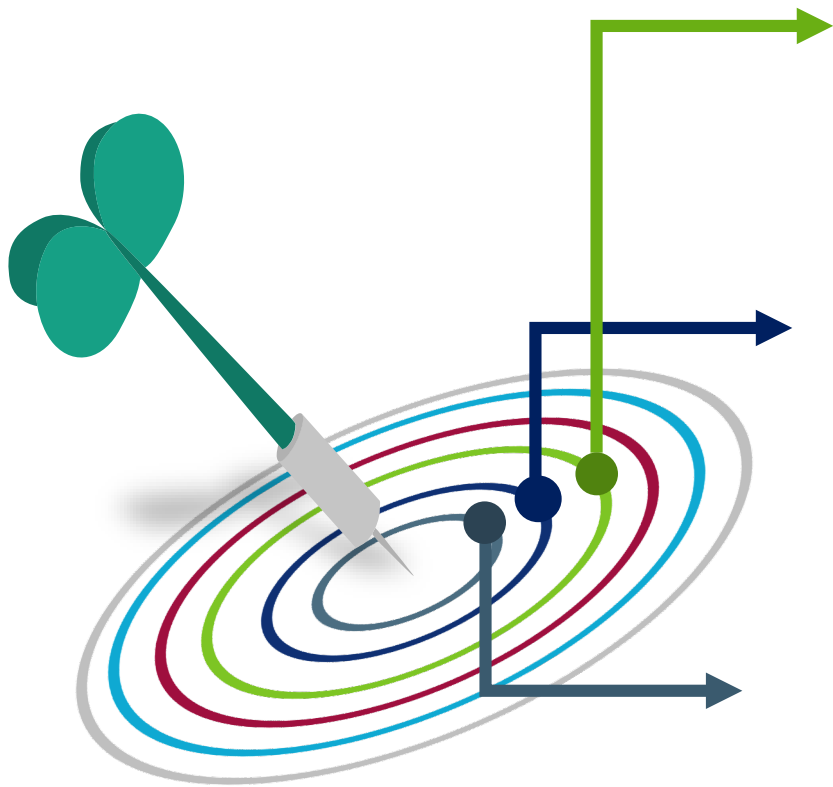
Commit resources, rather than assign

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

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



Multiyear Projections



Multiyear projections are required by Assembly Bill (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

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)

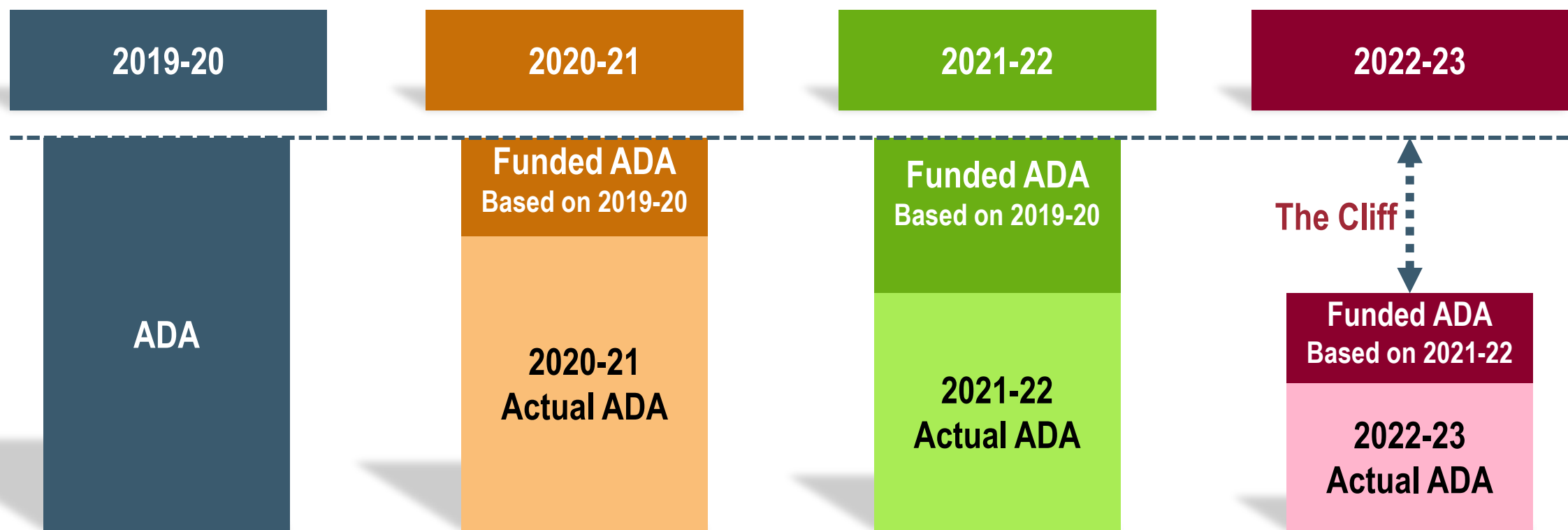
**Calculated by compounding the unfunded COLA of 2.31% from 2020-21 and the statutory COLA of 1.70%, plus 1.00%, in 2021-22

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

- Projected COLA is at **higher** levels
 - But so are the projected **cost increases**

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** and **hearing** our collective voices



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**

ADA Cliff—Governor’s Proposed Solution

● Hypothetical scenario for Governor’s Proposal

Fiscal Year	Elementary Actual ADA
2019-20	13,999
2020-21	13,999*
2021-22	13,392
2022-23	13,293

Fiscal Year	High School Actual ADA
2019-20	14,086
2020-21	14,086*
2021-22	14,481**
2022-23	14,597**

*Result of hold harmless

Funded ADA for 2022-23	
Current Law	13,392
Governor’s Proposal	13,797
Difference	405

** NA for High School District due to increase in ADA

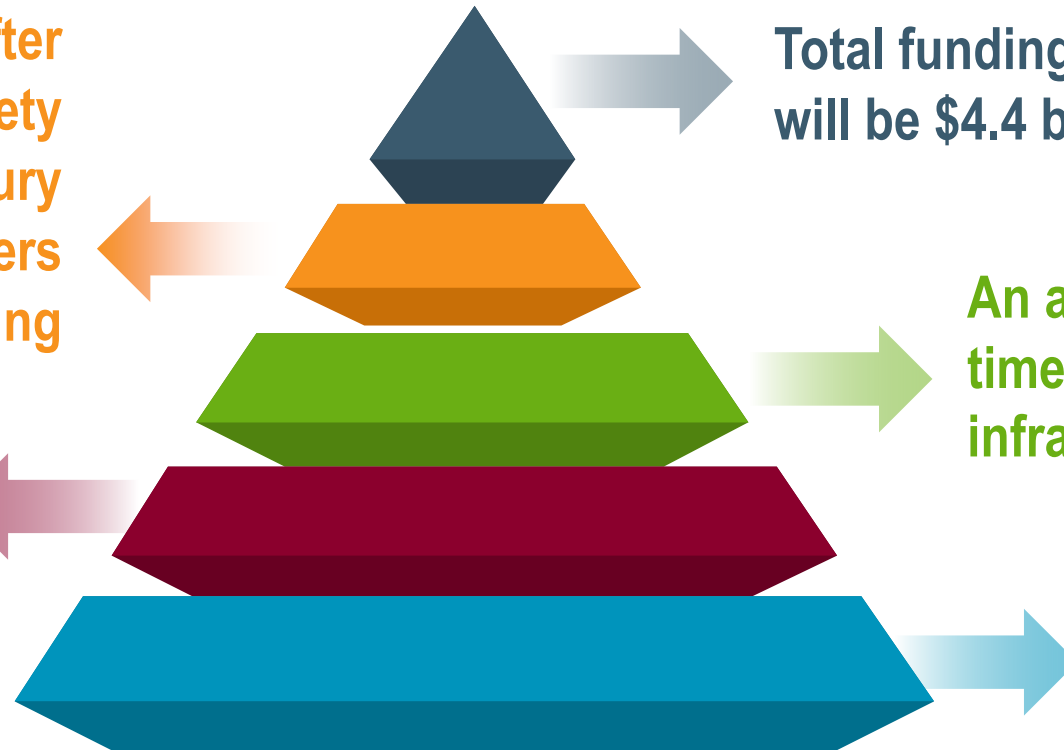
Goal is to turn the ADA cliff into an ADA softer landing

Expanded Learning Opportunities Program

The largest investment in the Proposition 98 part of the Budget is an additional \$3.4 billion ongoing for the ELO Program

One-time rate increases for After School Education and Safety (ASES) and 21st Century Community Learning Centers (CCLC) will be ongoing

Remember that resources can be braided—
State Preschool, special education learning recovery funds, ASES, 21st CCLC



Total funding for ELO Program will be \$4.4 billion annually

An additional \$937 million one-time for ELO Program infrastructure

Statutory language will clarify that literacy tutors and arts and music programming can be incorporated as enrichment options for students

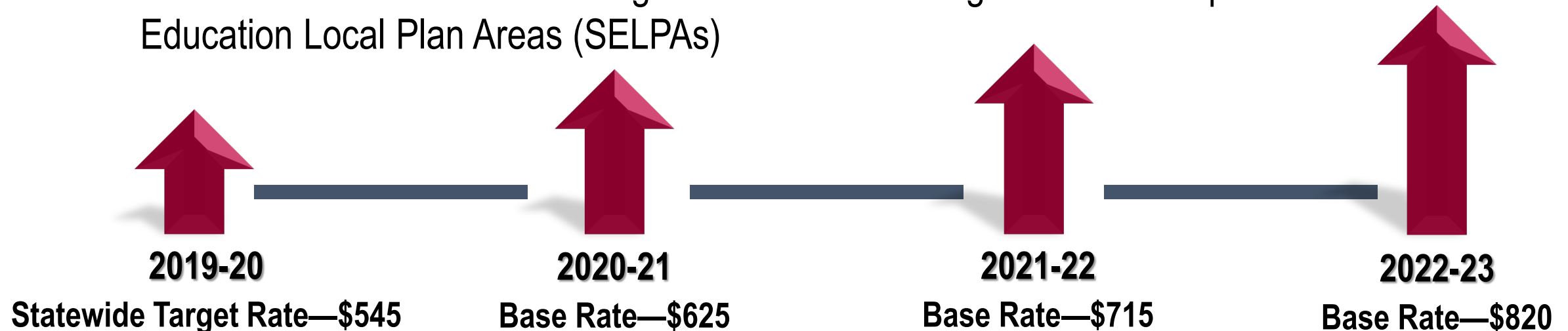
Transportation

- 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**

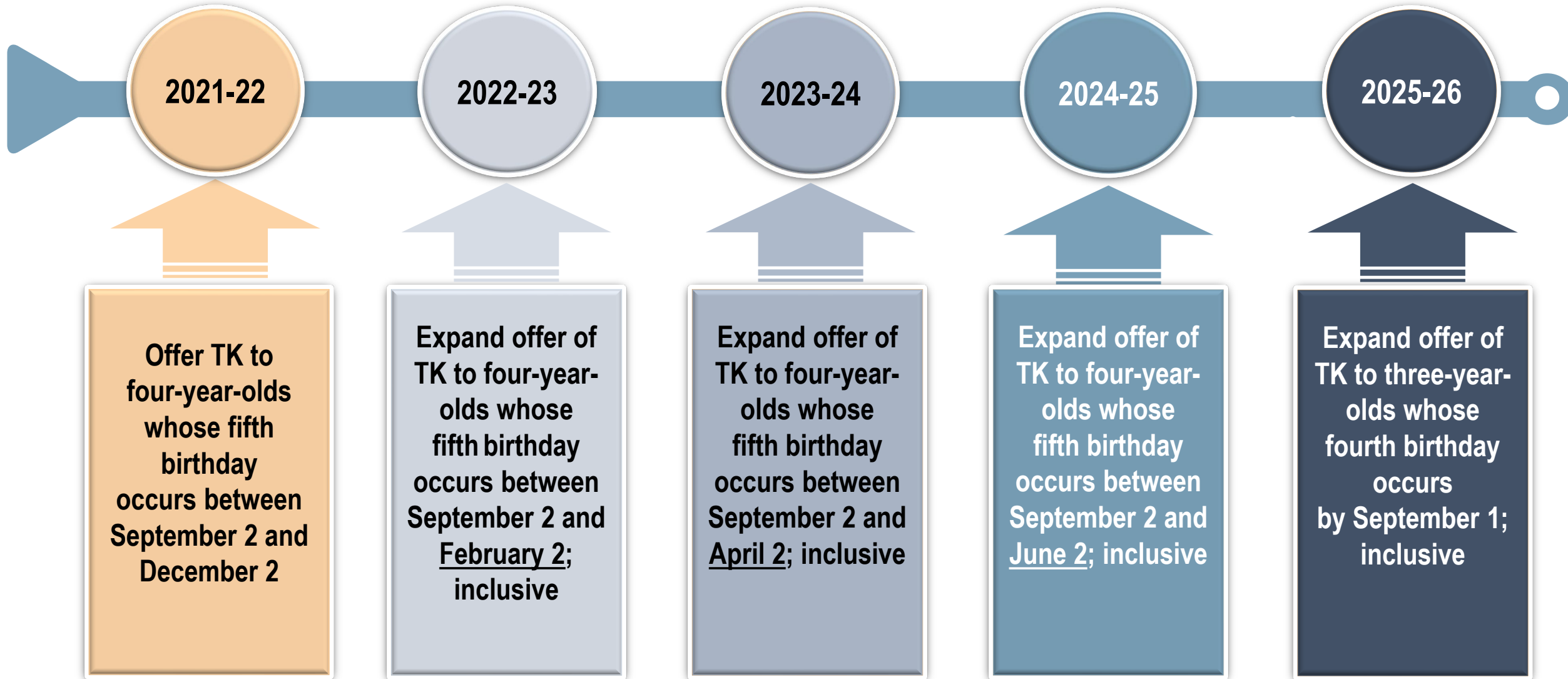


Special Education

- In the wake of \$3.1 billion in special education investments over the last three years, 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 (SELPAs)



Legal Requirements of Universal TK



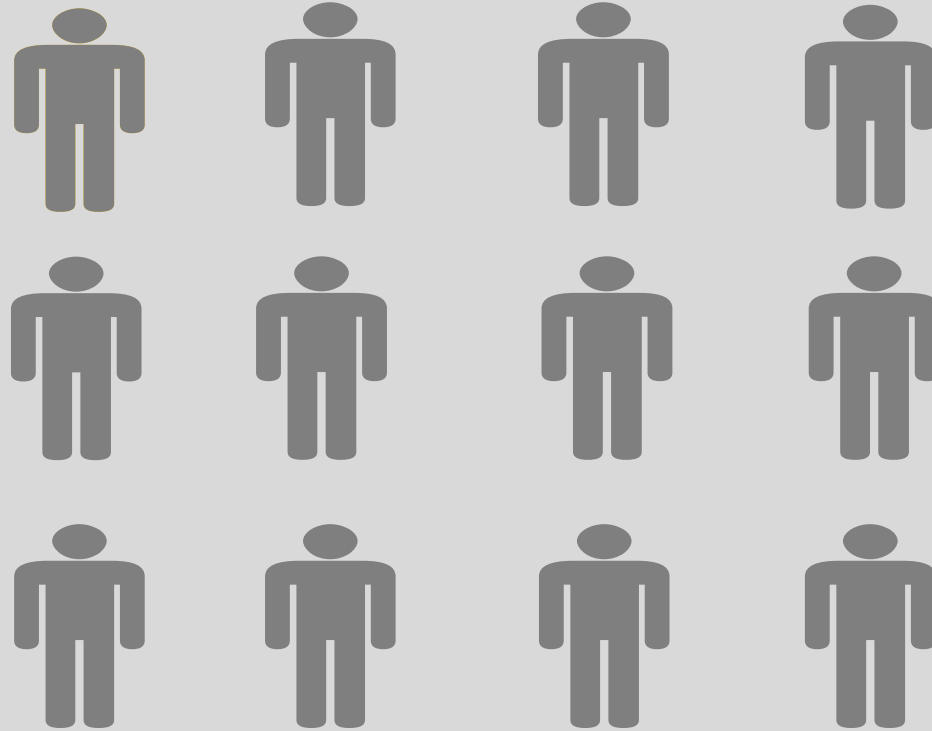
Education Code Sections (EC §) 48000(c)(1)(C)—(G)

TK Classroom Staffing

- Law requires a **maximum** of 12 students per **adult**
 - Reduced to **10** students per **adult** if additional funding is provided in **2023-24**
- Maintain an *average* class enrollment of not more than **24** pupils **per school site** in TK classrooms



TK Teacher



TK Certification Requirements

- EC § 48000(g)(4) requires credentialed teachers who are first assigned to a TK classroom **after July 1, 2015**, to have **one** of the following by August 1, 2023:
 - At least 24 units in Early Childhood Education, or childhood development, or both
 - Professional experience in a classroom setting with preschool age children comparable to the 24 units of education described in bullet 1 (comparability determined by the local employing agency)
 - Child Development Teacher Permit issued by the CTC

Any teacher who is or was assigned to teach TK, or a combination of kindergarten and TK, on or before July 1, 2015, is “grandfathered in” to teach TK without having to meet the additional unit requirement for TK teachers set forth in EC § 48000(g)

Late School Start Time Impacts

- Five months before COVID-19 shuttered schools, Governor Newsom signed **SB 328** (Portantino, Statutes of 2019), which **requires the school day for middle schools and high schools to begin no earlier than 8:00 a.m. and 8:30 a.m., respectively**
 - While the greater education community opposed this bill and sought changes in 2020 and 2021, the bill is set to go into effect as signed, on **July 1, 2022**
- To implement SB 328, LEAs should consider:
 - Configuration of transportation services, including elementary school start and end times, athletic trips, and after school programs
 - Food services programs, including if breakfast service needs to be pushed back

What's Not in the Proposed Budget

Additional Pension Relief

The state's contribution to subsidize employer rates has run out

Both pension plans are projecting 2%+ increases in 2022-23

Augmented COLA

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

UPP Solutions

Implementation of universal meals will likely have an immediate and direct impact on UPP

CalPERS Employer Contribution Rates

- Governor Newsom did not propose providing relief towards the CalPERS employer rates
- 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

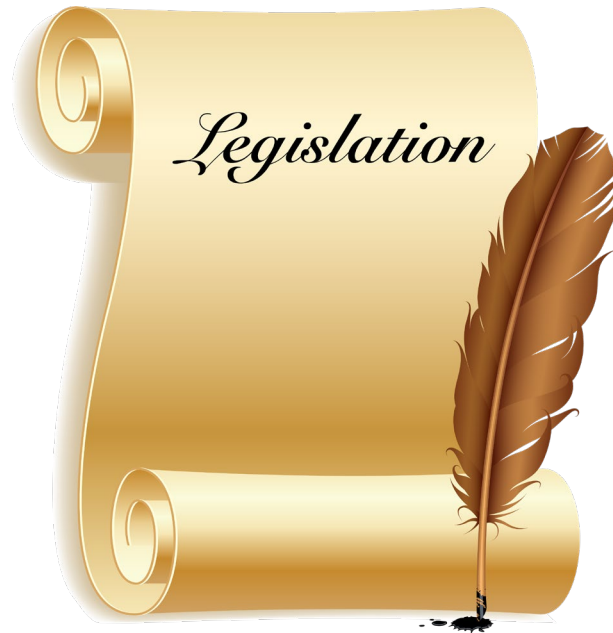
- Similar to CalPERS, the Governor **does not include** any new funding towards CalSTRS employer rates
- SSC recommends that LEAs anticipate a CalSTRS employer contribution rate of **19.10%** in 2022-23 based on the best information available to date from CalSTRS
 - An **increase of 2.18%** compared 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%

LCFF Legislation

■ Several significant LCFF measures have already been introduced in this young legislative year:

- AB 1607 (Muratsuchi, D-Torrance) would shift to using a three-year rolling average of ADA, in place of the current methodology which relies on current-year or prior-year ADA
- AB 1609 (Muratsuchi) and SB 579 (Allen, D-Santa Monica) would, for the 2022-23 fiscal year, require the CDE to use the greater of an LEA's 2019-20, 2021-22, or 2022-23 ADA for purposes of apportionments under the LCFF

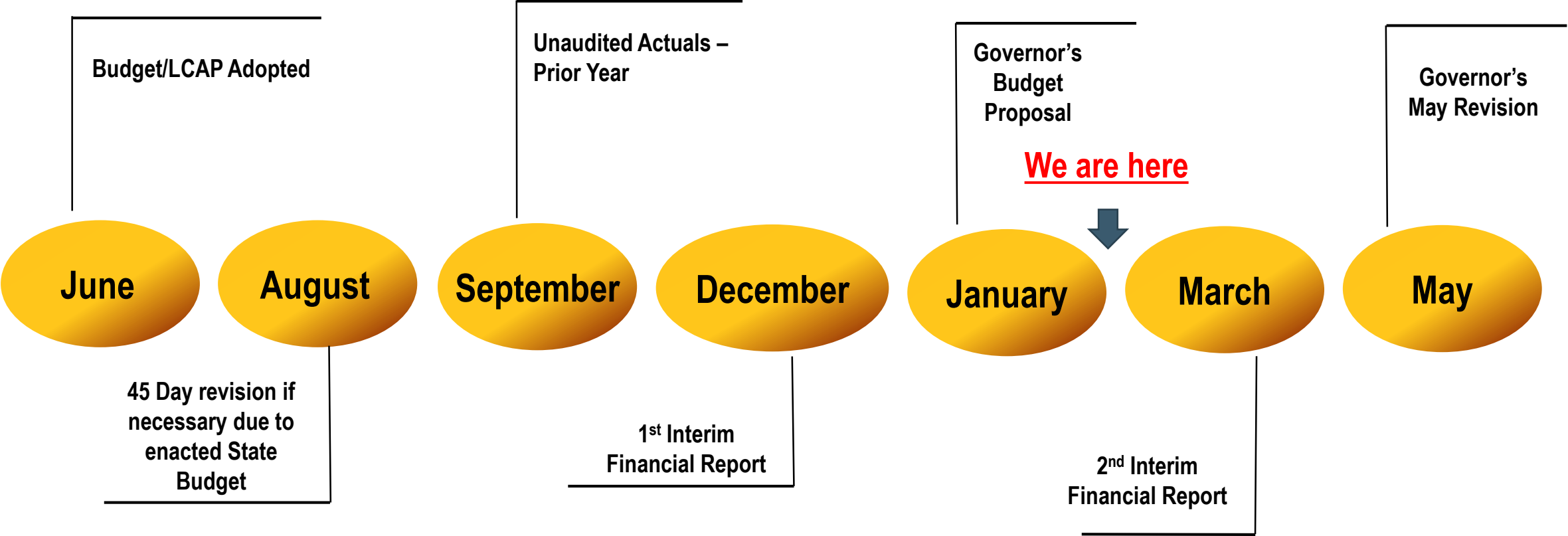


- AB 1614 (Muratsuchi) would increase the LCFF by \$4.2 billion above 2022-23 COLA
- SB 830 (Portantino, D-La Cañada Flintridge) would establish a process for school districts and county offices of education to apply for “supplemental education funding” using “average daily membership” data
 - At least 50% of an LEA's supplemental funding would have to be used to address chronic absenteeism and habitual truancy

Next State Budget Check Point

- Like last year, Governor Newsom is calling for early budget action to address the current needs of the pandemic
- Aside from any early action, the next State Budget check point is the **May Revision**
 - Between now and then, the Legislature **discusses** and **debates** the merits of the Governor's proposals and **add** some of their own to the conversation
- For the foreseeable future, COVID-19 will continue to preoccupy our collective work
- There is no doubt that our **educational leaders** will continue to **rise** to the occasion to address the multitude of **needs of their students, families, and communities**

Budget Reporting Cycle



Questions

