

Budget Study Session

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Presentation Overview



Redevelopment Agencies Revenues



2022-23 Governor's Budget Proposal



2022-23 HBCSD Budget Development



Next Steps



Redevelopment Agencies (RDA)

Prepared and Presented by Public Economics



2022-23 Governor's Proposed Budget



Highlights from the Governor's Budget

- Surplus of \$45.7 billion for 2022-23 due to robust State revenues
 - Many positive economic indicators
 - Level of uncertainty due to COVID
 - Inflation is a major concern
- Five existential threats to California
 - COVID-19
 - Climate crisis
 - Homelessness
 - Cost of Living
 - Crime
- Several proposals for TK-12 budget and proposed relief for funding cliff
- Challenges for schools not easily solved in the budget
 - COVID fatigue
 - Staffing shortages
 - Unstable attendance
 - Confusion over health/safety protocols



Major K-12 Spending

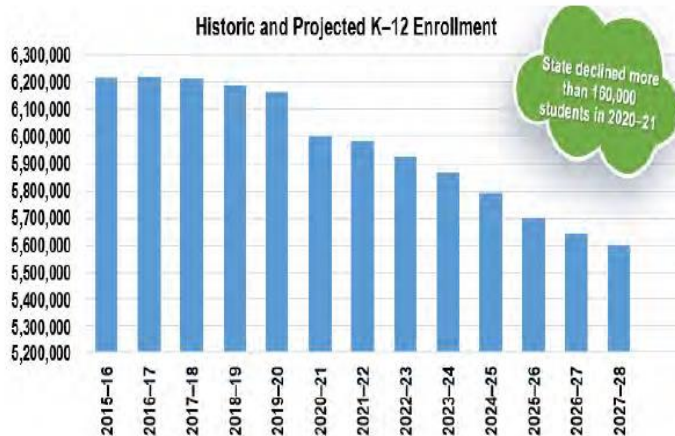
- \$3.3 billion for a 5.33% COLA to LCFF
- \$640 million (Prop 98 “rebenched”) for transitional kindergarten expansion
- \$3.4 billion for the Expanded Learning Opportunities Program (ELOP)
- \$650 million for universal access to school meals
- \$500 million to increase the special education base funding formula
- \$295 million for 5.33% COLA for certain categorical programs
- \$1.5 billion (one-time) to support electric buses
- \$1.3 billion (GF one-time) to support the School Facilities Program



2022-23 “Cliff”: Declining Enrollment and ADA

- The ADA “Cliff” has become a two-headed monster—the combination is significant

Declining Enrollment



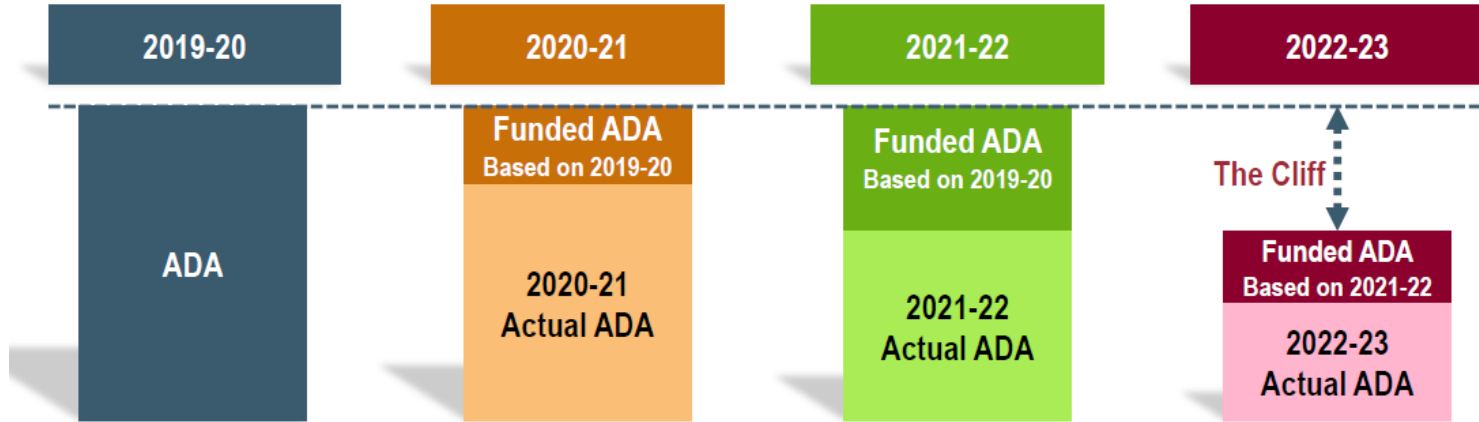
Source: Department of Finance (DOF) Demographic Research Unit, revised June 2021
Actual enrollment data through 2020-21

ADA-to-Enrollment Percentage

- The rate at which children are attending school is on the decline
 - In Person
 - Independent study
 - Unsigned master agreements
 - Homework not returned in a timely manner



2022-23 “Cliff” Illustration



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2022-23 “Cliff” Proposed Solution

A \$1.2 billion proposal to address the fiscal instability facing many districts due to declining enrollment and high absenteeism

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

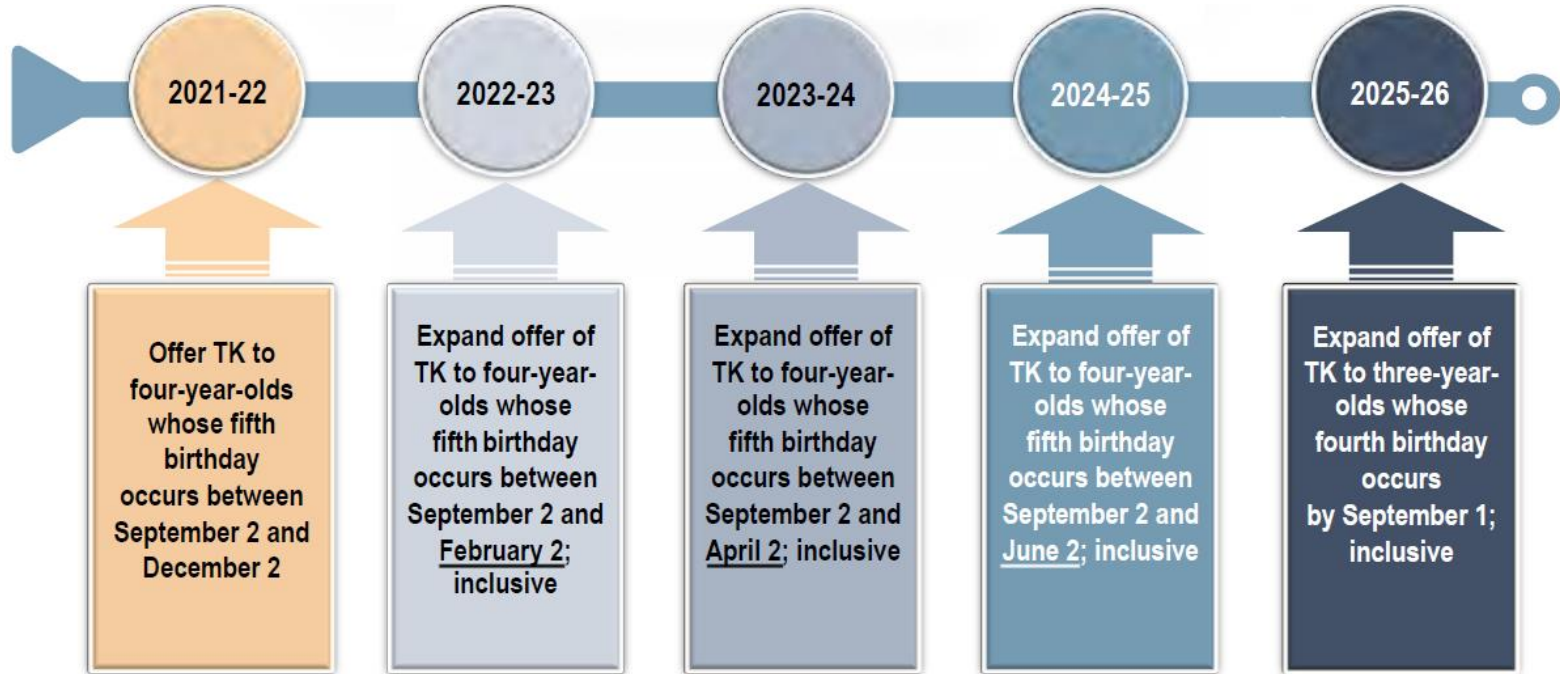


Special Education

- 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



Universal Transitional Kindergarten - UTK



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



UTK 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



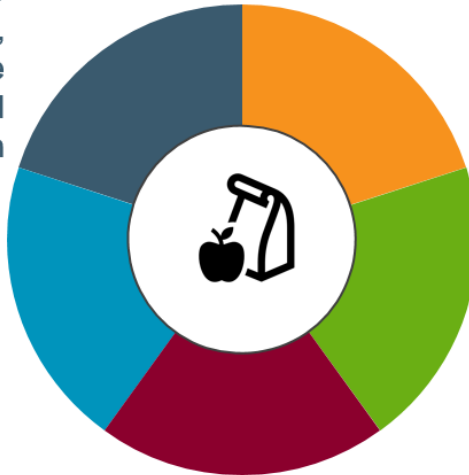
Education Code Sections (EC §) 48000(g)(1)-(3))

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

Transportation Proposal

- 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



School Facilities Proposal

- Governor Newsom proposes an unprecedented one-time General Fund appropriation of \$2.225 billion for school construction projects through the School Facility Program
- Also proposes an ongoing \$30 million Proposition 98 appropriation for the Charter School Facility Grant Program and to sell the remaining \$1.4 billion in Proposition 51 bonds

School Facility Program (in millions)		
	New Construction	Modernization
Unfunded (Workload) List	\$163.1	\$1,004.2
Acknowledged List	\$1,430.2	\$1,662.8

- The Governor's appropriation would fund approximately 75% of the project applications received by the Office of Public School Construction that are beyond current bond authority



Categoricals New Era

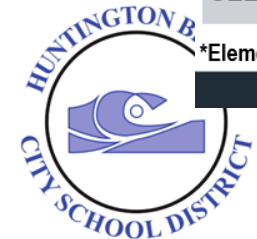
- Additional Funding equals more plans

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
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/eloprogplanguide.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/anreporhelp.asp	Various— https://www.cde.ca.gov/fg/cr/reporting.asp
GEER** I Quarterly and Annual	https://www.cde.ca.gov/fg/cr/anreporhelp.asp	Various— https://www.cde.ca.gov/fg/cr/reporting.asp

*Elementary and Secondary School Emergency Relief (ESSER)

**Governor's Emergency Education Relief (GEER)

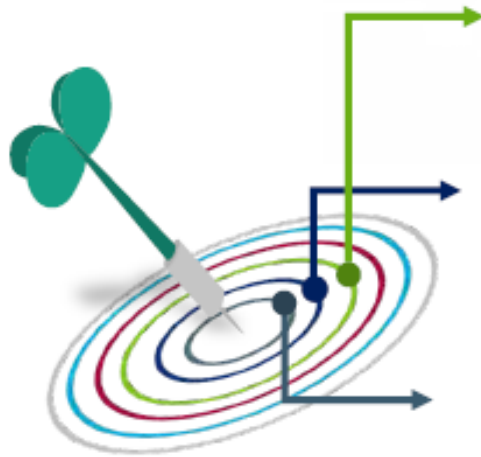
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2022-23 HBCSD Budget Development



Budget Projections

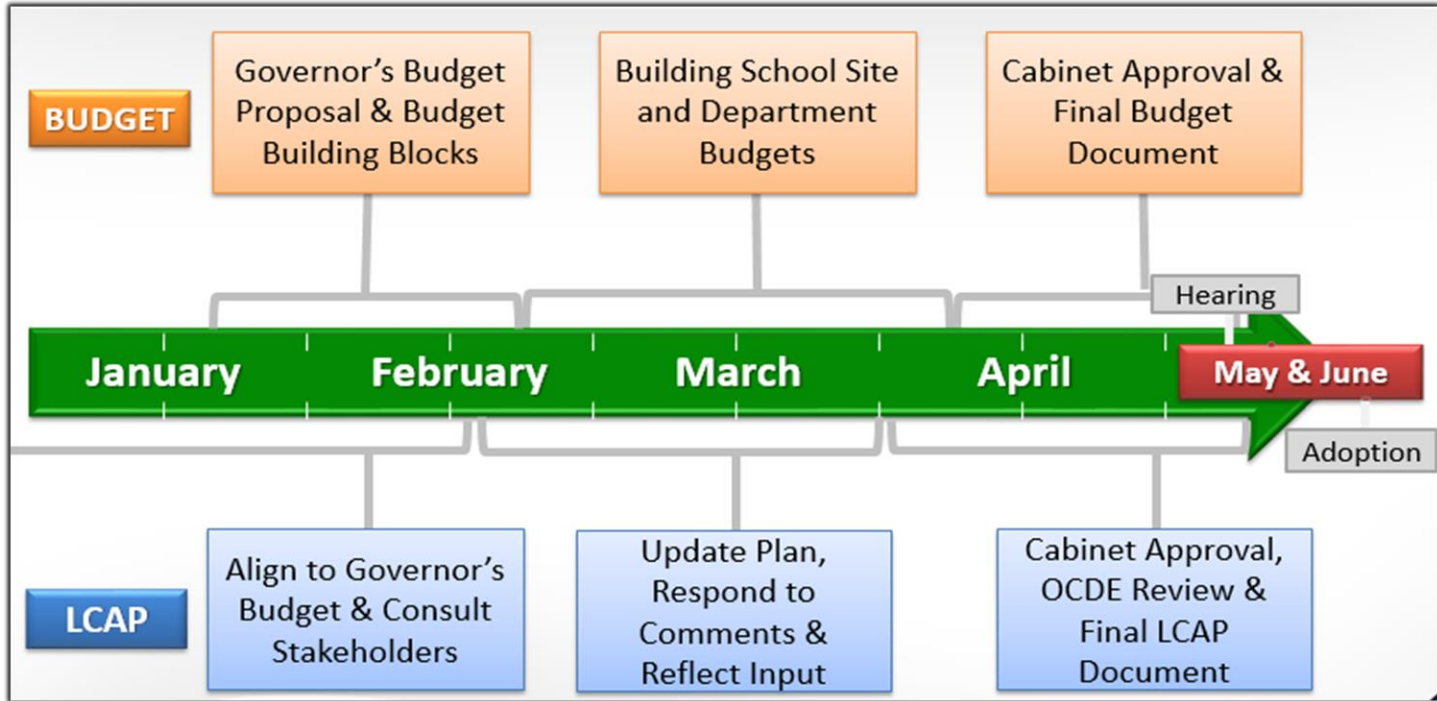


Multiyear projections are required by Assembly Bill (AB) 1200 and AB 2756

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

Budget Development Timeline

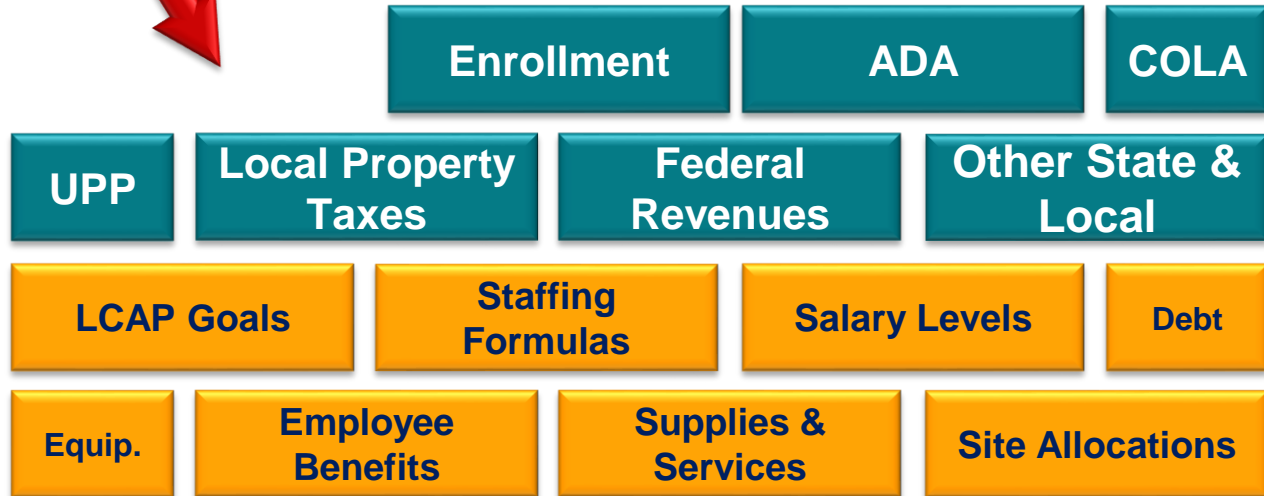


Budgetary Building Blocks

**LCFF
Calculation**



Key variables to calculate revenues and expenditures



Revenue Building Blocks

Planning Factors (Based on available information and subject to change)				
	2021-22	2022-23	2023-24	2024-25
Enrollment	4,905	4,740	4,610	4,500
Attendance Ratio	95%	95%	95%	95%
UPP**	21.4%	21.3%	21.2%	21.2%
Annual Prop. Tax Growth		4%	4%	4%
DOF* Planning COLA	5.07% **	5.33%	3.61%	3.64%

- COLA is at higher levels
 - But so are the projected cost increases that school districts are facing

*Department of Finance (DOF)

**Unduplicated Pupil Percentage



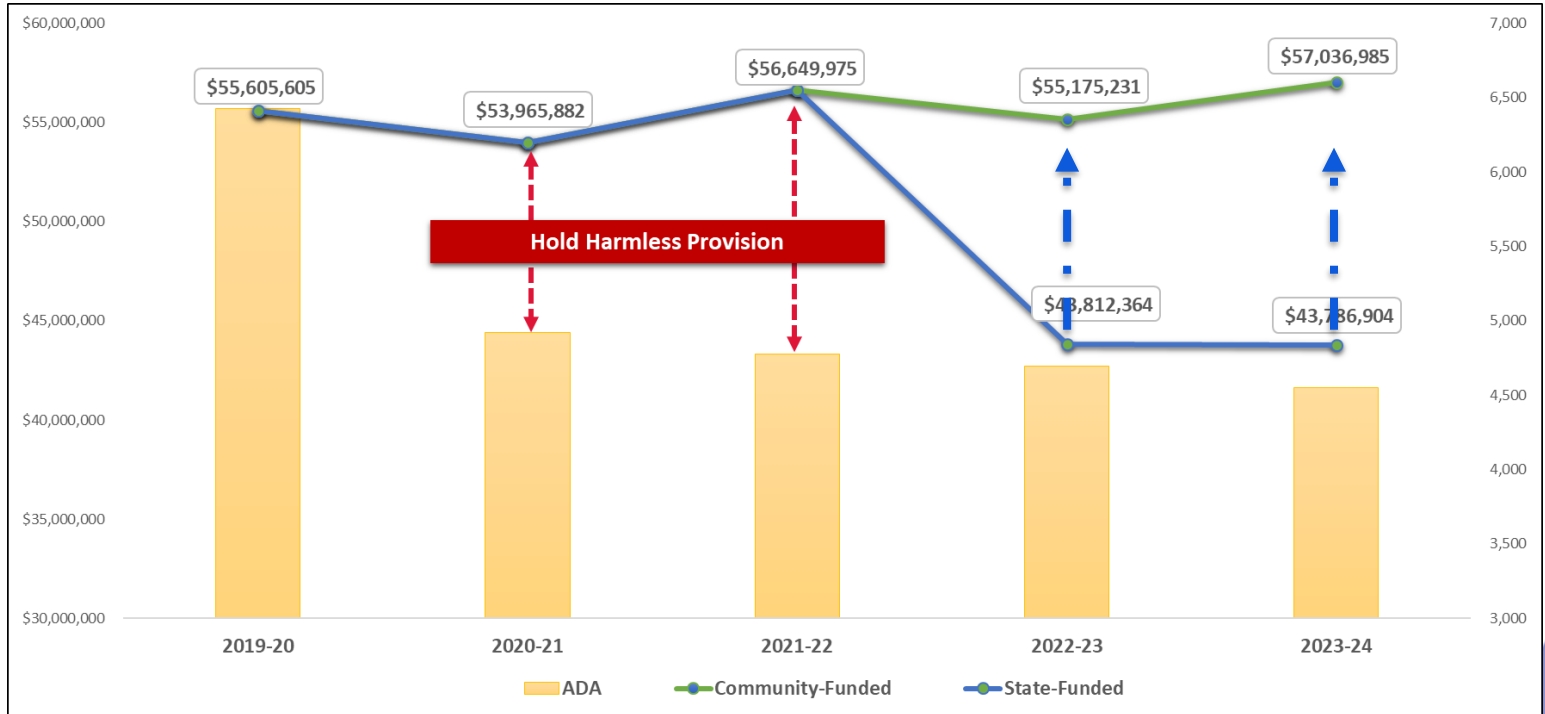
2022-23 LCFF Funding Factors

Grade Span	K-3	4-6	7-8
2021-22 Base Grant per ADA	\$8,093	\$8,215	\$8,458
→ 5.33% COLA	\$431	\$438	\$451
2022-23 Base Grant per ADA	\$8,524	\$8,653	\$8,909
Grade Span Adjustment	\$886	–	–
2022-23 Adjusted Base Grant per ADA	\$9,410	\$8,653	\$8,909
20% Supplemental Grant per ADA (Total Unduplicated Pupil Percentage [UPP])	\$1,882	\$1,731	\$1,782



Cliff Proposed Solution

For 2022-23, average of the prior three years is:
 2019-20 pre-Pandemic ADA
 2020-21 hold-harmless ADA
 2021-22 actual ADA



Expenditure Building Blocks

Planning Factors				
	2021-22	2022-23	2023-24	2024-25
Class Size*	23:1 & 27:1	TBD	TBD	TBD
CalSTRS**	16.92%	19.10%	19.10%	19.10%
CalPERS**	22.91%	26.10%	27.10%	27.70%
Unemployment Insurance	0.50%	0.50%	0.20%	0.20%

- Cost of Step & Column
 - Certificated: 2% of salaries
 - Leadership: 2% of salaries
 - Classified: 1.5% of salaries
- Fed & State expenditures to equal restricted revenues except for Special Ed, Routine Restricted Maintenance, and Transportation

* 2021-22 class size reduction funded by one-time COVID Relief funds



Next Steps

State Level

- Budget committee hearings
- May Revision on or before May 15
- Final budget deal

Local Level

- 2022-23 Budget Development (February – April)
- Second Interim Reports by March 15
- LCAP & Budget Hearing in May
- LCAP & Budget Adoption in June

