

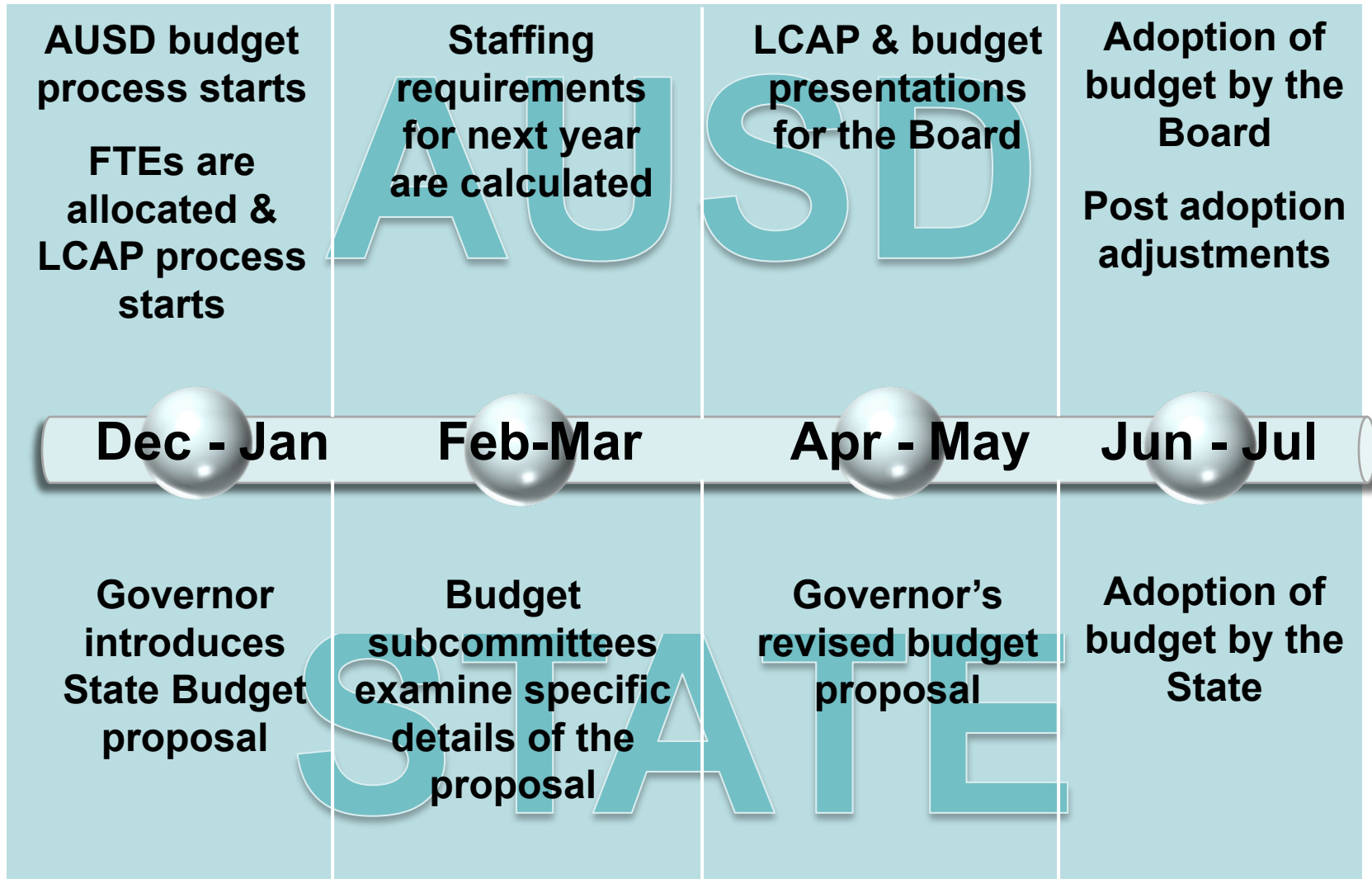
Governor's Budget Proposal for Fiscal Year 2022-23

January 25, 2022

Agenda

- State and AUSD budget timeline
- State of Economy
- Proposed Education Budget
- Impact on AUSD
 - Key Financial Factors
 - COLA
 - Enrollment and ADA
- Items to watch
- Next steps

Timeline



State of Economy

- Robust state revenues - \$45.7 billion general fund surplus
- Big Three taxes are up - Personal income tax, Sales/Use tax, Corporate tax
- Level of economic uncertainty due to the unpredictability of COVID-19
- Inflation has become a major concern
 - Cost of everyday goods and services continue to rise to levels not seen since 1982
- The Federal Reserve's response to inflation, including interest rate hikes, could impact the stock market

Proposed Education Budget

- \$16.1 billion in new revenues for K-14
 - Approximately 40% is one-time
- Return of categorical programs
 - Almost 2/3rd of new funding is in categorical programs
 - Staffing shortages would present a significant challenge to implement wide range of categorical programs proposed
- Few resources to address increased costs due to inflation and pension obligations
- Proposal to address revenue shortfall due to declining ADA
- Infrastructure funding for facilities and child nutrition programs

Key Financial Factors

- COLA is high but diminishes with projected cost increases, inflation, and decline in enrollment

Year	DOF Statutory COLA	CalSTRS*	CalPERS**	Unemployment Insurance	Cost of Step & Column
2020-21	0.00%	16.15%	20.70%		1.10%
2021-22	5.07%	16.92%	22.91%	0.50%	1.10%
2022-23	5.33%	19.10%	26.10%	0.50%	1.10%
2023-24	3.61%	19.10%	27.10%	0.20%	1.10%
2024-25	3.64%	19.10%	27.70%	0.20%	1.10%
2025-26	3.62%	19.10%	27.80%	0.20%	1.10%

*California State Teacher's Retirement System

**California Public Employees Retirement System

ADA Cliff – Proposed Solutions

- Current law provides funding based on the greater of current year or prior year ADA
- Governor's proposal would fund based on current year ADA, or prior year ADA, or prior three year's average ADA
- In addition to the Governor's proposal, there are three other bills addressing declining student enrollment
 - AB 1607 would shift to three-year rolling average
 - AB 1609 would make changes for 2022-23 only
 - AB 1614 would increase funding by \$4.2 billion above 2022-23 COLA
 - SB 830 would establish a supplemental grant based on enrollment

ADA Scenarios

Fiscal Year	Actual / Projected ADA	Funded ADA under Current Law - higher of Current year or Prior year	Funded ADA under Governor's Proposal - 3 Year Average
2020-21*	8,976	8,976	
2021-22**	8,284	8,976	
2022-23**	8,127	8,284	8,693
2023-24**	7,973	8,127	8,359
2024-25**	7,822	7,973	7,974

*Actual ADA

**Projected ADA

COLA with Declining Enrollment

Line #	Description	No Enrollment Change	Declining Enrollment (Under Current Law)	Declining Enrollment (Under Governor's Proposal)
A	LCFF Base Revenue for 2021-22	87,233,615	87,233,615	87,233,615
B	Proposed 5.33% COLA for 2022-23	4,649,552	4,649,552	4,649,552
C = A + B	Projected Revenue for 2022-23, based on proposed COLA	91,883,167	91,883,167	91,883,167
D	Revenue Lost to Declining Enrollment	-	(6,920,000)	(2,830,000)
E = C - D	Revised Projected Revenue for 2022-23 based on proposed COLA	91,883,167	84,963,167	89,053,167
F	Effective COLA for 2022-23	5.33%	-2.60%	2.09%

New Proposed Funding

- Expanded Learning Opportunities Program - \$3.4 billion
 - Provide after-school and intersession programming
 - Four year program with annual funding
- Child Care and preschool programs - \$2 billion
 - Mix of one-time and ongoing funding across various programs
- Early literacy grants – \$700 million
 - One-time, five year program
- Career Pathway Programs - \$1.5 billion
 - Focus on technology, healthcare, education, and climate-related fields
 - One-time over four years

New Proposed Funding (Continued)

- Dual enrollment programs - \$500 million
 - High school students to take classes that count towards high school graduation and college credit
 - One-time, four year program
- Educator Workforce Investments - \$54.4 million
 - Includes waiver of teacher examination fee and assistance to recruit a diverse and expert workforce
 - One-time
- Special Education – \$500 million
 - Increase base rate of Special Education funding by \$105/ADA

New Proposed Funding (Continued)

- School transportation programs - \$1.5 billion
 - Includes acquisition of electric school buses and charging station
 - One-time, three year program
- Student nutrition - \$1 billion
 - \$596 million, ongoing, to support universal access to school meals
 - \$450 million, one-time, to upgrade school kitchens and equipment
- School Facility Program – \$2.2 billion
 - One-time, Would clear approximately 75% of the funding back log

Summary of New Funding

Program	Amount (Billions)	One-time or Ongoing
Expanded Learning Opportunities Program (ELOP)	\$ 3.40	Annual funding for four years
Cost of Living Adjustment (COLA)	3.30	Becomes base for next year
Childcare & Preschool Programs	2.00	Mix of one-time & ongoing
Early Literacy Grant	0.70	One-time for five years
Career Pathway Programs	1.50	One-time for four years
Dual Enrollment Program	0.50	One-time for four years
Educator Workforce Investments	0.05	One-time
Special Education	0.50	Becomes base for next year
School Transportation Programs	1.50	One-time for three years
Student Nutrition	0.59	Ongoing
Student Nutrition	0.45	One-time
School Facility Program	2.20	One-time
Total	\$ 16.69	

Categorical Planning

Plan	Deadline
LCAP Supplement	Consideration by 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
Pre-Kindergarten Planning and Implementation Grant	Consideration by 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
LCAP for 2022-23	Approval with budget adoption
Educator Effectiveness Block Grant	Approval by December 2021

What's Not in the Proposed Budget

- Pension Relief
 - State's contribution to subsidize employer rates has run out
 - Both pensions systems (STRS & PERS) are projecting 2% plus increases in 2022-23
- Solution for Free and Reduced Meal (FRM) reporting
 - Direct impact on LCFF Supplemental Revenue, Title I, and other revenue streams dependent on FRM data
- Augmented COLA
 - 5.33% is minimum required by law

Items to Watch

- Declining enrollment
- Workforce shortages
- Special Education costs
- Pension contributions

Next Steps

- Second Interim Budget Update for 2021-22
- May Revise
- Adoption of the 2022-23 Budget

Board Discussion & Questions

Acronyms

AB	Assembly Bill	CPI	Consumer Price Index	LEA	Local Educational Agency
ACA	Affordable Care Act	CTE	Career Technical Education	LRE	Least Restrictive Environment
ADA	Average Daily Attendance	DOF	Department of Finance	MAA	Medi-Cal Administrative Activities
AP	Advanced Placement	DSA	Division of the State Architect	MOU	Memorandum of Understanding
API	Academic Performance Index	EC	Education Code	MTSS	Multi-Tiered Systems of Support
AYP	Adequate Yearly Progress	EL	English Learner	MYP	Multiyear Projection
BTSA	Beginning Teacher Support and Assessment	EPA	Education Protection Account	OPEB	Other Postemployment Benefits
CAASPP	California Assessment of Student Performance and Progress	ERAF	Education Revenue Augmentation Fund	OPSC	Office of Public School Construction
CALPADS	California Longitudinal Pupil Achievement Data System	ESL	English as a Second Language	P-1	First Principal (Apportionment)
CalPERS	California Public Employees Retirement System	ESSA	Every Student Succeeds Act	P-2	Second Principal (Apportionment)
CalSTRS	California State Teachers Retirement System	ESY	Extended School Year	PAR	Peer Assistance and Review
CALTIDES	California Longitudinal Teacher Integrated Data Education System	FAPE	Free and Appropriate Public Education	PD	Professional Development
CARS	Consolidated Application and Reporting System	FCMAT	Fiscal Crisis & Management Assistance Team	PI	Program Improvement
CASEMIS	California Special Education Management Information System	FERPA	Family Educational Rights and Privacy Act	PTA	Parent Teachers Association
CBA	Collective Bargaining Agreement	FRPM	Free and Reduced-Price Meals	RDA	Redevelopment Agency
CBEDS	California Basic Educational Data System	FTE	Full-Time Equivalent	SACS	Standardized Account Code Structure
CCSS	Common Core State Standards	GAAP	Generally Accepted Accounting Principles	SBE	State Board of Education
CDE	California Department of Education	GASB	Governmental Accounting Standards Board	SDC	Special Day Class
CELDT	California English Language Development Test	IEP	Individualized Education Program	SELPA	Special Education Local Plan Area
CNIPS	Child Nutrition Information Payment System	LAO	Legislative Analyst's Office	SPSA	Single Plan for Student Achievement
COE	County Office of Education	LCAP	Local Control and Accountability Plan	TK	Transitional Kindergarten
COLA	Cost-of-Living Adjustment	LCFF	Local Control Funding Formula	TRANS	Tax and Revenue Anticipation Notes
COP	Certificate of Participation			UPP	Unduplicated Pupil Percentage