

2021-22 45-Day Budget Revision

Introduction

Education Code 42127 (h) states: “Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by the Budget Act.”

For the 2021-2022 fiscal year the 45-Day Budget Revision must be made available to the public by August 12, 2021. This 45-Five Day Budget Revision document has been prepared for publication on the Pleasant Valley School District website on August 11, 2021.

Education Code requires school districts’ Boards of Trustees to adopt a district budget by June 30 of each year. This means that school district budget development and review, a months-long process, takes place before the state adopts a final budget. School district adopted budgets are therefore usually based on information from the winter and spring of the preceding fiscal year. School district funding is primarily determined at the state level, so changes in the state budget translate into changes at the local school district level. After the state budget is adopted, usually in late June or early July, school districts update their budgets and communicate those revisions in the 45-Day Budget Revision.

The education-specific aspects of the 2021-22 enacted state budget are widely recognized as both expansive in scope (adding \$5.6B in spending since January of 2021) and shifting in focus (moving away from local control decisions, and returning to state-prescribed “categorical programs”). The purpose of the 45-Day Budget Revision is not to analyze the enacted state budget or list all of the new categorical programs. Instead, the document summarizes how the enacted state budget will impact the District’s adopted budget.

Typically, the 45-Day Budget Revision concludes with an updated projected unrestricted and restricted ending fund balance. That update is not possible at this time. Many of the appropriations in the enacted state budget create new categorical programs. It is not yet clear if those new funding streams must exclusively supplement existing actions already planned by our District, or if those funds can be used to offset unrestricted general funds already invested. Until the state programs are fully developed and financial guidance is provided,



projections on ending fund balance would be too speculative to be meaningful. Where guidance is developed and clear this document notes the possibility to offset unrestricted general funds.

Revenues Changes

The enacted state budget includes a \$1.1 billion ongoing investment of Proposition 98 funds to increase the concentration grant add-on payment. The increase grows from 50% to 65% of the base grant amount. This increase represents approximately \$1,200 per pupil increased funding for unduplicated pupils who surpass the concentration funding threshold. Although approximately 32% of PVSD's students are identified as high needs pupils under the state's Unduplicated Pupil designations, PVSD will receive \$0 in increased funding. This is because a district must have greater than 55% UPP to qualify for this funding.

The enacted state budget includes increases to funding to support students with special needs. The state is allocating this increase in Special Education funding to school districts in two ways: a per student increase in funding through the Special Education Local Plan Area (SELPA), and an Early Intervention Preschool Grant.

The enacted budget increases the base rate SELPA allocation from \$625 to \$715 per district average daily attendance (ADA). PVSD expects this increased allocation will result in approximately \$520,000 in increased funding to support PVSD students with special needs. Because state and federal funding to support students with special needs falls significantly short of actual student needs, PVSD makes an unrestricted general fund contribution to special education programs every fiscal year. For the 2021-22 adopted budget we estimated that contribution would be approximately \$5.12M. The increase in state funding for students with special needs is expected to reduce this unrestricted general fund contribution proportionately.

The Early Intervention Preschool Grant is an ongoing program, established using Proposition 98 dollars. The program is intended to supplement existing services,

for the purpose of supporting infants, toddlers, and pre-school students with early intervention services. For 2021-22 the projected statewide allocation is \$260M. The allocation methodology uses the number of 1st grade students with disabilities as a proxy measurement of district need. Although estimated grant apportionments are not available as of the writing of this report, using historical data we estimate that PVSD may see approximately \$500,000 in funding from this grant program. It is important to note that this program supports expanded services, and does not supplant other funding, so we expect no proportional decrease in the unrestricted general fund contribution.

The enacted state budget also designates \$1.5B in Proposition 98 funds, on a one-time basis, to an Educator Effectiveness Block Grant program. As of the writing of this report district-specific funding estimates are not available. However, given the magnitude of the grant, and an absence of language that precludes funding for districts in non-economically disadvantaged areas, it is likely that PVSD's funding will be significant. As this is a block grant, funds may only be expended on authorized uses associated with staff training.

Distinct from, yet similar in name to, the one-time Expanded Learning Opportunity Grant (ELOG) provided via Assembly Bill 86, the enacted state budget creates an ongoing Expanded Learning Opportunities Program (ELOP). As one may infer from the name, the program is intended to serve student needs through expanded opportunities for instruction – during school holiday breaks, after school hours, or during summer recess. PVSD is expected to receive \$989,000 for this program. We expect the funds to be restricted, and therefore reported outside of the unrestricted general fund. As the allowable uses of the ELOP funds are restricted to what PVSD already planned to accomplish with ELOG funding, we will need to revisit our ELOG plan.

A final revenue increase worth noting is via the California Pre-K Planning and Implementation Grant. We expect that the District will receive \$120,000 in restricted funding for this program. Allowable uses are not fully developed at this time, although PVSD will need to develop a plan for expanding access to full-day pre-K. We anticipate further program details later this year.

Expenditure Changes

The series of bills that comprised the budget agreement between the governor and the legislature included AB 138, an amendment to unemployment insurance code. In the District's adopted budget we used the state's projected unemployment insurance rate of 1.23%. This rate represented a substantial increase over the 0.05% rate in 2020-21. AB 138 reduced the rate to 0.50% for 2021-22. For PVSD's unrestricted general fund the reduced rate represents a decrease in expected unemployment insurance payments of approximately \$205,000.

The enacted state budget mandates that school districts offer an independent study option to support families who are concerned about student health risks associated with in-person instruction. Prior to the issuance of this mandate, PVSD had already established and staffed a program to support families in this way. The state mandate also requires increased flexibility for students to move between in-person and independent study programs. Without predictable enrollment in either program, and the possibility of shifting enrollment between programs, this mandate creates significant potential for staffing volatility. We will not be able to quantify the magnitude of this staffing expense volatility until the school year begins. However, expense increases due to staffing changes should be expected, and will be incorporated into the First Interim Budget update.