2022-23 January Governor's Budget Proposal Update

Sacramento City Unified School District

Board Meeting
February 3, 2022
Agenda Item No. 8.5

Agenda

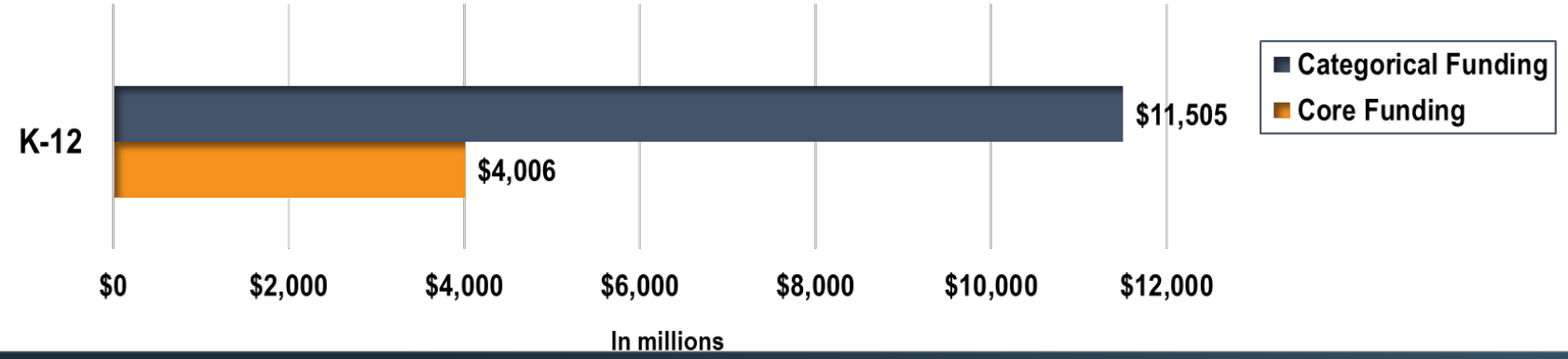
- School Services Overview
- Significant Proposals & Impact for SCUSD
  - Local Control Funding Formula (LCFF) Cost of Living Adjustment (COLA)
  - Enrollment & Average Daily Attendance (ADA)
  - Special Education AB602 Funding
- Budget Concerns
- One time position update
- Next Steps

Proposed 2022-23 State Budget

$102 billion — Unprecedented Proposition 98 funding in 2022-23

$16.1 billion — With adjustments to Proposition 98 funding in the prior and current years, $16.1 billion in new revenues is available, mix of ongoing and one-time

Most of the new Proposition 98 revenues are earmarked for specific categorical programs or services



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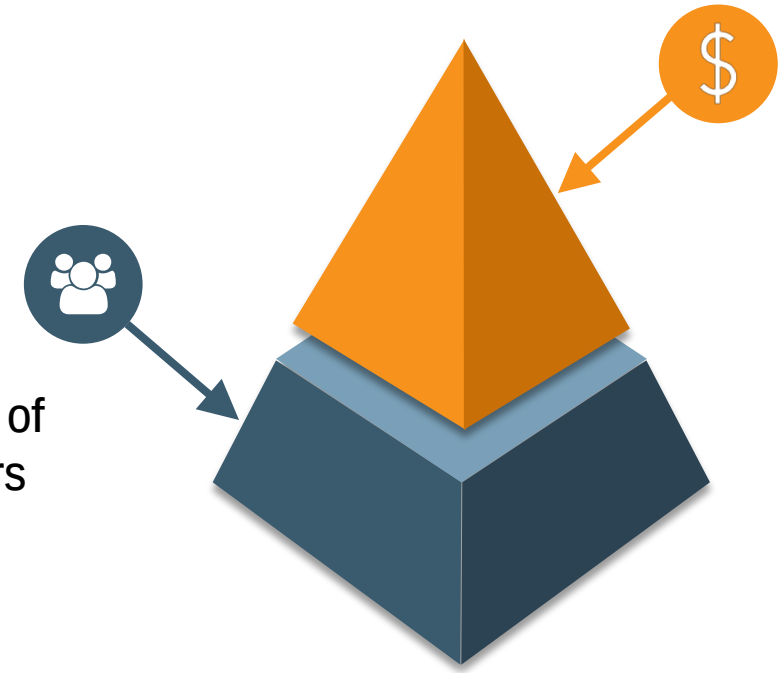
Local Control Funding Formula

LCFF[1] ADA[2]

Greater of:

- current year
- prior year
- rolling average of prior three years



LCFF COLA[3]: 5.33%

Same COLA applied to other applicable categoricals

Alternate legislative proposals for LCFF ADA:

- AB 1609 (Muratsuchi) and SB 579 (Allen) would allow districts to continue to use 2019-20 ADA in 2022-23 fiscal year
- AB 1607 (Muratsuchi) would shift to using a three-year rolling average of ADA which relies on current year plus the prior two years

[1]Local Control Funding Formula (LCFF)
[2]Average daily attendance (ADA)
[3]cost-of-living adjustment (COLA)

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Major Ongoing Investments

LCFF COLA	$2.1 billion
ADA three-year average proposal	$1.2 billion
Additional universal transitional kindergarten (UTK) ADA	$639 million
UTK 12:1 ratio	$383 million
Expanded Learning Opportunities Program	$3.4 billion
After School Education and Safety Program	$149 million
Special education funding formula	$500 million
Universal meals	$596 million

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Major One-Time Investments

Inclusive Early Education Expansion Program	$500 million
Early literacy coaches	$500 million (over 5 years)
Multilingual school libraries	$200 million
Expanded Learning Opportunities Program infrastructure	$937 million (over 4 years)
Critical sector college and career pathways	$1.5 billion (over 4 years)
Dual enrollment expansion	$500 million (over 4 years)
Green buses	$1.5 billion (over 3 years)
Kitchen infrastructure upgrades	$450 million (over 3 years)
School Breakfast and Summer Meal Start-up and Expansion Grant Program	$3 million

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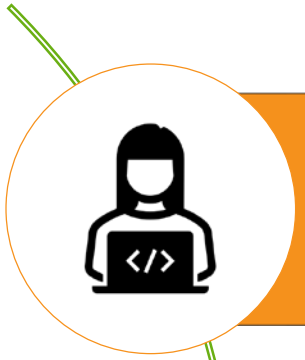
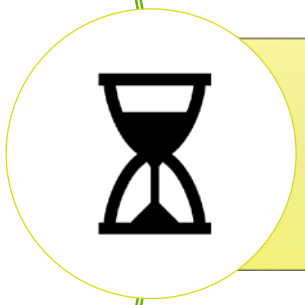
Key Policy Proposals – Independent Study



Proposed trailer bill does not continue the requirement to offer independent study in 2022-23



Allows synchronous instruction to count for instructional time

Some flexibility for collecting signed independent study agreements for short-term independent study

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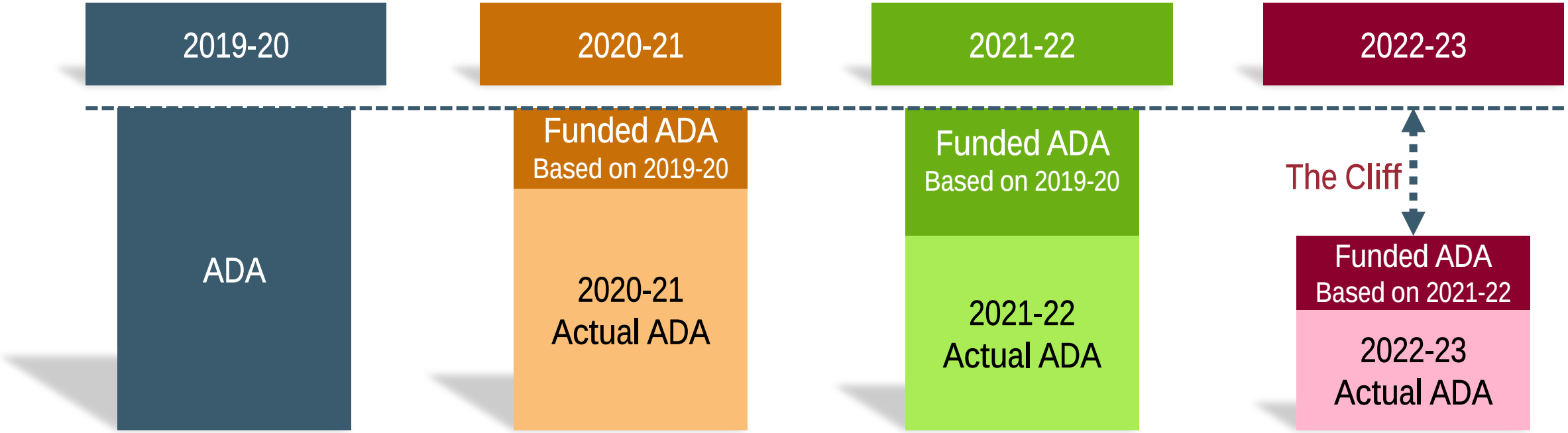
2022-23 Proposed COLA's vs. 2021-22 First Interim Report

- The State Budget Proposal funds the LCFF in 2022-23 with a cost-of-living adjustment of 5.33%
- Subsequent years reflect higher COLA's

	21-22	22-23	23-24	24-25
Governor's Proposed Budget	5.07%	5.33%	3.61%	3.64%
2021-22 First Interim Projected	5.07%	2.48%	3.11%	3.54%
Difference	**0.00%**	**2.85%**	**0.50%**	**0.10%**

2022-23 ADA "Cliff"

- The ADA "Cliff" has been well-publicized and the subject of many discussions
  - For charter schools and county offices of education (COEs), the impact is already being felt in 2021-22
- Good news—the Governor and Legislature are listening and hearing your collective voices



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ADA Cliff—Proposed Solution

- Governor's proposal would allow a third option for funded ADA which would use the actual ADA from the prior three years. If enacted, this would allow a school district in 2022-23 to be funded on the greater of the following:
  - Actual ADA from 2022-23
  - Actual ADA from 2021-22
  - Average ADA based on actuals from 2019-20, 2020-21, and 2021-22

Fiscal Year	Actual ADA
2019-20	38,325
2020-21	38,325*
2021-22	34,324**
2022-23	35,902***

Funded ADA for 2022-23	
Current Law	35,902
Governor's Proposal	36,991
Difference	1,089
LCFF per ADA @ $11,944	$13 million

*Result of hold harmless, uses 2019-20 ADA
**Projected ADA using 21-22 P1 report - ADA Yield @ 90% (pre-pandemic average rate was 94.6%)
***Projected ADA assumes pre-pandemic assumptions: enrollment decline of -0.5% from prior year and ADA yield of 94.6%

COLA & ADA proposals impact to SCUSD Multi-Year Projections

LCFF Projected Changes	2021-22	2022-23	2023-24	2024-25
2022-23 Governor's Proposal	$434,355,408	$441,824,790	$446,693,669	$457,250,037
2021-22 First Interim	$435,769,916	$421,198,106	$430,357,310	$444,831,680
Difference	**($1,414,508)**	**$20,626,684**	**$16,336,359**	**$12,418,357**
LCFF Base	**2021-22**	**2022-23**	**2023-24**	**2023-24**
2022-23 Governor's Proposal	$343,676,443	$350,826,736	$356,092,677	$363,284,019
2021-22 First Interim	$344,812,766	$334,202,099	$342,876,146	$353,274,421
Difference	**($1,136,323)**	**$16,624,637**	**$13,216,531**	**$10,009,598**
Supplemental/Concentration	**2021-22**	**2022-23**	**2023-24**	**2023-24**
2022-23 Governor's Proposal	$84,135,430	$84,454,519	$84,057,457	$87,422,483
2021-22 First Interim	$84,413,615	$80,452,472	$80,937,629	$85,013,724
Difference	**($278,185)**	**$4,002,047**	**$3,119,828**	**$2,408,759**

- The projected increases highlighted above for LCFF base would be applied to the projected deficits in the District's multi-year projections.
- The decline in 2021-22 LCFF revenues is due to using updated ADA from P1 report for non-public schools and community day school which are paid on current year with no hold harmless which is trending 121 ADA lower than projections, still pending updated numbers from County Office of Education

Special Education

- Governor proposes ongoing funding commitments for special education
  - $500 million in Proposition 98 General Fund special education funding
  - 5.33% COLA adjustment—$140.6 million
- These investments result in a Base Rate estimated at $820 per ADA, the current rate is $715 per ADA
- The table below shows the projected multiyear impact to Special Education funding for SCUSD compared to the First Interim Report

	2021-22	2022-23	2023-24	2024-25
2022-23 Governor's Proposal	$ 29,165,265	$ 33,448,276	$ 33,056,480	$ 32,062,221
2021-22 First Interim	$ 29,165,265	$ 29,165,265	$ 28,823,638	$ 27,956,693
Difference	**$ -**	**$ 4,283,011**	**$ 4,232,842**	**$ 4,105,528**

Impact to SCUSD Multi-year Projections

2021-22 First Interim Multi-Year Projections (Total GF)			
Description	**2021-22**	**2022-23**	**2023-24**
Total Revenues	$711,345,307	$597,075,014	$606,905,302
Total Expenditures	$715,746,748	$618,584,156	$635,156,851
Excess/(Deficiency)	($4,401,442)	($21,509,142)	($28,251,549)
Other Sources/Uses	$2,050,301	$2,050,301	$2,050,301
Net Increase/(Decrease)	**($2,351,141)**	**($19,458,841)**	**($26,201,248)**
Add: Beginning Fund Balance	$125,906,717	$123,555,577	$104,096,736
Ending Fund Balance	$123,555,577	$104,096,736	$77,895,487

2021-22 First Interim Multi-Year Projections (Total GF) With 22-23 Governor's Budget Proposals			
Description	**2021-22**	**2022-23**	**2023-24**
Total Revenues	$711,345,307	$597,075,014	$606,905,302
COLA & ADA Proposal	**($1,136,323)**	**$16,624,637**	**$13,216,531**
Special Ed AB602 Proposal	**$0**	**$4,283,011**	**$4,232,842**
Total Expenditures	$715,746,748	$618,584,156	$635,156,851
Excess/(Deficiency)	($5,537,765)	($601,494)	($10,802,176)
Other Sources/Uses	$2,050,301	$2,050,301	$2,050,301
Net Increase/(Decrease)	**($3,487,464)**	**$1,448,807**	**($8,751,875)**
Add: Beginning Fund Balance	$125,906,717	$122,419,254	$123,868,061
Ending Fund Balance	$122,419,254	$123,868,061	$115,116,185

This analysis reflects only changes due to the Governor's Budget Proposals for increased COLA's, ADA flexibility and special education funding. Also, 21-22 projections include updated 21-22 P1 ADA attendance report information. Other local changes to the budget, favorable and unfavorable, will be incorporated into the Second Interim Report.

Budget Concerns

- Revenue forecasts do not include the impact of the Omicron COVID-19 variant
- High inflation
- Global supply chain disruptions
- Declining Enrollment –
  - ADA proposal not a “hold harmless” only provides soft landing
- Collective bargaining
- PERS/STRS cost increases
- Health and Welfare Benefit cost increases
- Implementation of universal school meals will increase the challenges of identifying unduplicated students

One Time Position Update

Bargaining Unit	FTE Auth	FTE Used	Percent Hired
SCTA	122.30	75.50	62%
SEIU	75.65	35.66	47%
NRM-CONF	34.00	18.00	53%
TCS	2.00	1.00	50%
UPE	9.00	4.00	44%
Totals	**242.95**	**134.16**	**55%**

Next Steps

- 2022-23 Budget Development – Ongoing
- 2021-22 Second Interim Report – March 17, 2022
- Governor's May Revise – May 2022 will be used to inform the District's 22-23 Budget
- State Enacted Budget – June 2022 (after District's Budget is developed)