Where Does the Money Come From?

Average Statewide Unified School District Revenues 2020-21

- Local Control Funding Formula (LCFF) Sources: 69%
- Other State Revenue: 14%
- Federal Revenue: 13%
- Other Local Revenue: 4%

ADA—What Is It?

Average daily attendance (ADA) drives a local educational agency’s (LEA) primary source of general purpose funding—its LCFF funding.

- ADA is equal to the average number of pupils actually attending classes.
- Attendance is counted every day of the school year, though LCFF funding is based on attendance through the Second Principal Apportionment (P-2).

ADA also drives other federal and state funding sources.
2021-22 LCFF Funding Factors

- The Governor’s Budget proposes a 5.07% compounded cost-of-living adjustment (COLA) for 2021-22, which is applied to the LCFF base grants for each grade span
- Two grade span adjustments (GSAs) are applied as percentage increases to the base grants
  - Grades K-3 receive a 10.4% increase for smaller average class sizes
  - Grades 9-12 receive a 2.6% increase in recognition of the costs of career technical education coursework

<table>
<thead>
<tr>
<th>Grade Span</th>
<th>2020-21 Base Grant per ADA</th>
<th>5.07% Compounded COLA</th>
<th>2021-22 Base Grant per ADA</th>
<th>GSA</th>
<th>2021-22 Adjusted Base Grant per ADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-3</td>
<td>$7,702</td>
<td>$390</td>
<td>$8,092</td>
<td>$842</td>
<td>$8,934</td>
</tr>
<tr>
<td>4-6</td>
<td>$7,818</td>
<td>$396</td>
<td>$8,214</td>
<td>-</td>
<td>$8,214</td>
</tr>
<tr>
<td>7-8</td>
<td>$8,050</td>
<td>$408</td>
<td>$8,458</td>
<td>-</td>
<td>$8,458</td>
</tr>
<tr>
<td>9-12</td>
<td>$9,329</td>
<td>$473</td>
<td>$9,802</td>
<td>$255</td>
<td>$10,057</td>
</tr>
</tbody>
</table>

2021-22 LCFF Funding Factors

- Supplemental and concentration grants are calculated based on the percentage of an LEA’s enrolled students who are English learners (EL), free or reduced-price meals (FRPM) program eligible, or foster youth—the unduplicated pupil percentage (UPP)

<table>
<thead>
<tr>
<th>Grade Span</th>
<th>2021-22 Adjusted Base Grant per ADA</th>
<th>20% Supplemental Grant per ADA—Total UPP</th>
<th>65% Concentration Grant per ADA—UPP Above 55%</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-3</td>
<td>$8,934</td>
<td>$1,787</td>
<td>$5,807</td>
</tr>
<tr>
<td>4-6</td>
<td>$8,214</td>
<td>$1,643</td>
<td>$5,339</td>
</tr>
<tr>
<td>7-8</td>
<td>$8,458</td>
<td>$1,692</td>
<td>$5,498</td>
</tr>
<tr>
<td>9-12</td>
<td>$10,057</td>
<td>$2,011</td>
<td>$6,537</td>
</tr>
</tbody>
</table>
Eligibility Determination—Supplemental and Concentration Grants

Families that meet federal income eligibility criteria or pupils deemed to be categorically eligible

A foster child is a child removed from their home pursuant to the Welfare and Institutions Code Section 450

As defined in Education Code Section (EC §) 306, a child who does not speak English or whose native language is not English and who is not currently able to perform ordinary classroom work in English

Also, a pupil of limited English proficiency—a pupil without clearly developed language skills necessary to receive instruction only in English at a level substantially equivalent to English-speaking peer

Where Does the Money Go?

Average Statewide Unified School District Expenses 2020-21

- Certificated Salaries: 41%
- Employee Benefits: 26%
- Classified Salaries: 14%
- Books and Supplies: 7%
- Services: 10%
- Capital Outlay/Other: 2%

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Personnel Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated Salaries</td>
<td>Includes salaries of employees that work in a position requiring a teaching credential (e.g., teachers, counselors, principals, etc.)</td>
</tr>
<tr>
<td>Classified Salaries</td>
<td>Includes salaries of employees that work in a position that does not require a teaching credential (grounds, maintenance, clerical, etc.)</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>All the employer-paid benefits made on behalf of employees</td>
</tr>
</tbody>
</table>

- Detail is tracked by staff using the Object Code in the Standardized Account Code Structure (SACS) account code

Employee Benefits

- For every $1 of salary, the district pays out a predetermined percentage for employee benefits
  - Rates below do not include any payment for employee health and welfare benefit premiums

<table>
<thead>
<tr>
<th>Certificated Employee in 2021-22</th>
<th>Classified Employee in 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Salary</td>
</tr>
<tr>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>CalSTRS(^1) (16.92%)</td>
<td>CalPERS(^2) (22.91%)</td>
</tr>
<tr>
<td>$1,692</td>
<td>$2,291</td>
</tr>
<tr>
<td>MediCal (1.45%)</td>
<td>MediCal (1.45%)</td>
</tr>
<tr>
<td>$145</td>
<td>$145</td>
</tr>
<tr>
<td>Social Security</td>
<td>Social Security (6.20%)</td>
</tr>
<tr>
<td>N/A</td>
<td>$620</td>
</tr>
<tr>
<td>State Unemployment (0.50%)</td>
<td>State Unemployment (0.50%)</td>
</tr>
<tr>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Workers' Compensation (2.05%)</td>
<td>Workers' Compensation (2.05%)</td>
</tr>
<tr>
<td>$205</td>
<td>$205</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>$12,092</td>
<td>$13,266</td>
</tr>
</tbody>
</table>

\(^1\)California State Teachers' Retirement System (CalSTRS)

\(^2\)California Public Employees’ Retirement System (CalPERS)
### Books and Supplies Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textbooks</td>
<td>Any formal adoption of textbooks</td>
</tr>
<tr>
<td>Instructional Materials</td>
<td>Replacement of lost textbooks, pencils, paper, art materials, band instruments, etc.</td>
</tr>
<tr>
<td>Technology Devices</td>
<td>Any technology used by students and staff, including Wi-Fi connectivity in the classroom</td>
</tr>
<tr>
<td>Other Materials</td>
<td>This includes fuel for buses, materials and supplies for custodial, maintenance and grounds</td>
</tr>
</tbody>
</table>

- Detail is tracked by staff using the Object Code in the SACS account code

### Service Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>Annual premium payments for property and liability insurance</td>
</tr>
<tr>
<td>Utilities</td>
<td>Payments for annual water, gas, electricity, and garbage services</td>
</tr>
<tr>
<td>Repairs</td>
<td>Materials for repairs of district equipment, including buses and vehicles</td>
</tr>
<tr>
<td>Software</td>
<td>Licensing fees for software used in the district—includes instructional and non-instructional</td>
</tr>
<tr>
<td>Other Services</td>
<td>Any travel, conferences, or other outside support from non-employees</td>
</tr>
</tbody>
</table>

- Detail is tracked by staff using the Object Code in the SACS account code
Capital Outlay/Other Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Outlay</td>
<td>Modernization/renovation projects to district facilities</td>
</tr>
<tr>
<td>Other Outgo</td>
<td>Repayment of capital leases for copiers and vehicles</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>Charging administrative costs to the child development and cafeteria programs</td>
</tr>
</tbody>
</table>

- Detail is tracked by staff using the Object Code in the SACS account code

Unrestricted General Fund Reserves

- The State Board of Education (SBE) minimum reserve is based upon district size:

<table>
<thead>
<tr>
<th>District Size</th>
<th>SBE Minimum Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 300 ADA</td>
<td>The greater of 5% or $71,000</td>
</tr>
<tr>
<td>301 to 1,000 ADA</td>
<td>The greater of 4% or $71,000</td>
</tr>
<tr>
<td>1,001 to 30,000 ADA</td>
<td>3%</td>
</tr>
<tr>
<td>30,001 to 400,000 ADA</td>
<td>2%</td>
</tr>
<tr>
<td>400,001 ADA and over</td>
<td>1%</td>
</tr>
</tbody>
</table>

- Remember—this is a minimum
  - All LEAs need to have higher reserves than this SBE minimum
California State PTA Conference
Money, Money, Money: How Public Schools Are Funded
April 30, 2022

School Services of California Inc.—SACS Budget Pyramid

- Fund
  - General Fund

- Resources
  - IDEA
  - Title I
  - Pre-K education
  - Independent study

- Goals
  - Vocational education
  - Community services
  - Health services

- Functions
  - Transportation
  - Fiscal services

- Objects
  - Teacher salaries
  - Benefits
  - State aid
  - Classified personnel
  - Books & supplies
  - Travel & conferences

- Schools (optional)
  - High school sites
  - Middle school sites
  - Elementary school sites
  - Continuation high school site
  - Community day school

- Other Local Designations (optional)
  - state aid
  - Travel & conferences

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Manage a Total Budget, Not Just a General Fund

Funds Other Than the General Fund
- The General Fund is the primary operating fund, but is not the only fund
- Effective management requires an analysis of all funds, all revenues, and all expenses

Other Funds
- Special Revenue Funds
  - Adult Education
  - Cafeteria
  - Child Development
  - Special Reserve
- Capital Projects Funds
  - Building
  - State School Building
  - Capital Facilities
- Debt Service Funds
  - Bond Interest and Redemption
- Internal Service Funds
  - Self-Insurance
  - Trust and Agency Funds
  - Retiree Benefit
  - Student Body
- Joint Powers Authorities

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### California’s Process for Making Policy: The State Budget

<table>
<thead>
<tr>
<th>January 10</th>
<th>mid-May</th>
<th>early-June</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor’s Budget Release</td>
<td>Governor issues May Revision</td>
<td>Conference Committee hearings and “Big Three” negotiations begin</td>
<td>Governor must act on Budget</td>
</tr>
</tbody>
</table>

- **January 10**: Governor’s Budget Release
- **mid-May**: Governor issues May Revision
- **early-June**: Conference Committee hearings and “Big Three” negotiations begin
- **June 30**: Governor must act on Budget

- **late-February**: Budget Subcommittee hearings begin
- **late-May**: Subcommittees adopt recommendations and send to full Budget Committees
- **June 15**: Legislature must pass Budget
The State Budget Process

**Senate**

- **Sub 1: Education**
  - Sub 2: Resources, Environmental Protection, Energy & Transportation
  - Sub 3: Health & Human Services
  - Sub 4: State Administration & General Government
  - Sub 5: Corrections, Public Safety & the Judiciary

**Assembly**

- **Sub 1: Health & Human Services**
- **Sub 2: Education Finance**
  - Sub 3: Resources & Transportation
  - Sub 4: State Administration
  - Sub 5: Public Safety
  - Sub 6: Budget Process Oversight & Program Evaluation

The State Budget process is annual and is much more truncated than the legislative process.

- 6-month cycle
- Budget Committees and Subcommittees
- Conference Committee
- Big Three

Budget Bills vs. Budget Trailer Bills

**The Budget Bill**

- The budget bill is the legislative measure that includes the entire state spending plan in any fiscal year
  - $286.5 billion in state expenditures for 2022-23
  - Often appropriations come with “strings” that we see as budget bill language, or spending “provisions”

**Trailer Bills**

- Because annual State Budgets also include policy changes, they are printed in budget trailer bills
- Trailer bills lay the policy framework or rules for new or continued government programs
- The Department of Finance usually publishes proposed trailer bill language (TBL) by early February and shortly after the May Revision is released

You can access proposed TBL here: [https://esd.dof.ca.gov/trailer-bill/trailerBill.html](https://esd.dof.ca.gov/trailer-bill/trailerBill.html)

Note: Each summer, there is typically a second budget bill (“budget bill, jr.”) and accompanying trailer bill to clean up technical issues (e.g., Assembly Bill [AB] 167 from September, 2021)
Proposition 25

- In 2010, the voters approved Proposition 25, which did two things:
  - Authorized the State Budget to be approved by a simple majority
  - Required lawmakers to pass the Budget by June 15th or their pay would be withheld
- The requirement does not apply to trailer bills; they can approve trailer bills after June 15th (e.g., they approved AB 130 on July 9th)

Robust State Revenues

State tax collections are beating Governor Gavin Newsom's January estimates by $17.4 billion. April personal income tax (PIT) tax collections are $10 billion over the Governor's estimate for the month.

- The “Big Three” Effect
  - “Big Three” taxes make up over 94% of General Fund revenue among tax sources
  - PIT alone comprises 66% of all General Fund revenue
  - 1% of Californians generate 45% of PIT

As of March 31, 2022
As of April 25, 2022

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Proposition 98 Funding—Impact on Education Funding

Proposition 98 receives approximately 40% of state revenues

- With the current unanticipated revenue, funding under the minimum guarantee is going to increase by the Enacted Budget by at least another $10 billion from January
- Most of the increase will be one-time funding for K-14 use—a smaller share will increase the minimum guarantee on an ongoing basis

How Will the Dollars Flow?

- Lawmakers have great discretion about how to spend dollars with differences in priorities
  - Governor’s priorities
  - Senate’s priorities
  - Assembly’s priorities
- The key is how these differences are reconciled

LCFF Increases
COLA
ADA mitigation policies
Expanded Learning Opportunities Program
School Facilities
Employer Pension Buydown
California State PTA Conference
Money, Money, Money: How Public Schools Are Funded
April 30, 2022

You Are Here

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late-February
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late-May
Subcommittees adopt recommendations and send to full Budget Committees

June 15
Legislature must pass budget

We anticipate the release of the May Revision on May 13

Thank you for attending

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PattiH@sscal.com

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JohnG@sscal.com

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