


**MEMORANDUM**

**TO:** Members of the Board of Education

**FROM:** W. Drew Rowlands via Dr. Lamont A. Jackson 

**DATE:** August 8, 2022

**SUBJECT:** Final State Budget 2022-23 and District Amended Budget

The 2022-23 California State Budget was signed by Governor Newsom on June 27, 2022. Education Code 42127(h) states that:

*Not later than 45 days after the governor signs the annual State Budget Act, the school districts shall make available for public review any revisions to revenues and expenditures that it has made to its budgets to reflect the funding made available by that Budget Act.*

On June 28, 2022, the San Diego Unified School Board of Education adopted a balanced budget for 2022-23, and projected shortfalls of \$38.1 million and \$194.3 million, for the 2023-24 and 2024-25 school years, respectively. The primary cause for the deepening shortfall is the dwindling amount of one-time COVID relief funds, while continuing the student focused programs these funds initially supported, transferring the costs to our general fund.

Due to the timing of the budgeting cycle, significant funds provided in the State budget were not included in the district's adopted budget. This memo is to ensure that the Board of Education is kept up to date with the impact of the State Budget Act and it will be made available to the public by posting to the district's webpage. Staff has conferred with the County Office of Education that this is in compliance with the Education Code requirements as mentioned above. All appropriate adjustments to the budget will be reflected at the first interim and will be reported in December 2022.

The district's adopted budget did include **some** of the initiatives presented in the state budget. Specifically, the 2022-23 adopted budget included the cost-of-living adjustment (COLA) of 6.56% and the revised ADA calculation using the three-year average method provided for in the state budget.

The most significant changes in the State Budget and their projected impact to the district's adopted budget are highlighted below:

- Local Control Funding Formula (LCFF): Increase of \$80.6M. This funding consists of an additional investment of 6.28% to the LCFF base grant and further COVID-19 attendance relief. Staff recommends using these funds to address wage increases, ongoing fiscal

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pressures, staffing shortages, and other operational adjustments needed as a result of inflation.

- Instructional Materials, Arts & Music Discretionary Block Grant (one-time): Increase of \$57.3M.<sup>1</sup> Funds are available for encumbrance through the 2025-26 fiscal year. This is somewhat of a “catch-all” grant. Allowable uses include any “operational costs” including retirement and health care cost increases. Funds also can be used to obtain standards-aligned instructional materials and professional development related to arts, music and other subject areas, or materials and training related to improving school climate, developing diverse book collections, or expenses related to the COVID-19 pandemic. An expenditure plan must be approved by the Board. Staff recommends using these funds over the multiple years that these funds are available to support summer programs at the high school level, site COVID response funds, increased Visiting Teacher spending and positions previously funded with the In-Person Instruction grant (counselors, nurses, etc.), which will be fully expended by December 2023.
- Learning Recovery Emergency Block Grant (one-time): Increase of \$120.3M.<sup>2</sup> Funds are available for use through 2027-28. Staff recommends using these funds over the multiple years that these funds are available. Uses include instructional learning time, providing summer school or actions that increase or stabilize the amount of instructional time or services provided to pupils, or to decrease or stabilize staff-to-pupil ratios. Also, the funds may be used for the implementation, expansion or enhancement of learning supports and addressing other barriers to learning. The District has dedicated some of these funds on the early implementation of Universal Transitional Kindergarten (UTK) and additional funds for Special Education assessment. Staff recommends also spending the funds on requests for increased PARA staffing at school sites and the continuation of programs funded in expiring grants, predominantly COVID relief funds.
- Expanded Learning Opportunity Program (ELOP): Increase of \$34.1M.<sup>3</sup> \$22M was already incorporated in the adopted budget, bringing the total funding for Expanded Learning to \$56M. The District will use these ongoing funds on the requirements of the grant for UTK-6, including after-school care and summer academic and enrichment programs.

Top financial advisory groups are increasingly cautious about the outlook for the next few years of school funding. School Services of California included in their State Budget presentation that California is at the highest level of education funding ever, but it is not likely to continue.

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<sup>1</sup> Per State Schools of California estimates as of July 18, 2022

<sup>2</sup> Per State Schools of California estimate as of July 18, 2022

<sup>3</sup> Per State Schools of California estimate as of July 18, 2022

*“Districts should prepare wisely for the time the budget descends. Nearly 70% of economists surveyed by the Financial Times and the University of Chicago’s Initiative on Global Markets believe that the U.S. will enter a recession in 2023. Remaining economists predict a recession by 2024. In an economy where inflation outpaces the cost-of-living adjustment, interest rates continue to rise, and low unemployment remains a factor, fears of a recession hang over the nation. Known and unknown forces, including COVID-19, supply chain challenges, and the war in Ukraine, are shifting business and consumer confidence, which may portend an economic downturn.”*

Leaner financial times are likely to be around the corner. Staff recommends judicious use of the allocated one-time funds over multiple years to minimize disruption to our schools and instructional programs. As mentioned above, detailed budget information will be presented to the Board of Education with the first interim report.