



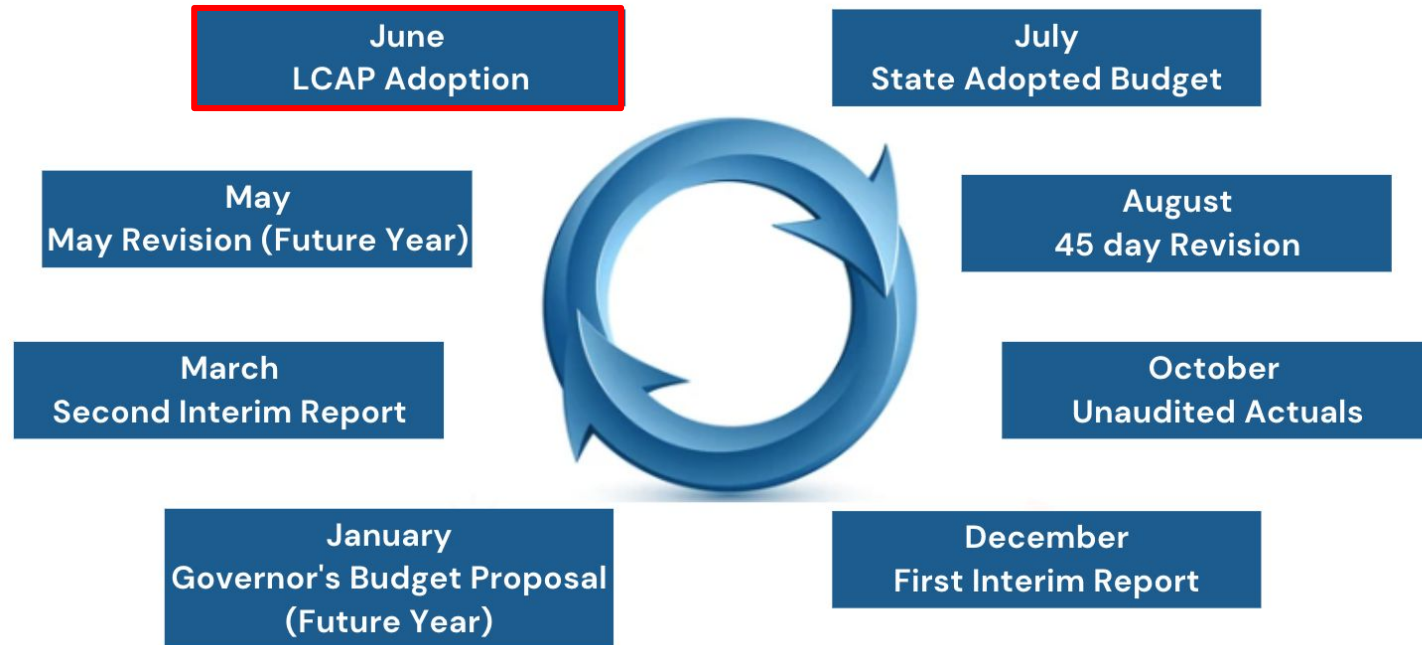
Proposed Preliminary Budget Report

June 13, 2023

Proposed Budget Overview

- ❑ State Budget and Economy
- ❑ The Local Control Funding Formula (LCFF)
- ❑ Assumptions for the Proposed Budget
- ❑ Review 2023-24 Proposed Budget
 - ❑ Revenue and Expenditures
 - ❑ General Fund Unrestricted and Combined
 - ❑ Components of the Ending Fund Balance
- ❑ Multi-Year Projection
- ❑ Next Steps

ANNUAL BUDGET CYCLE



State Budget and Economy



Governor Newsom, in his May Revision, highlights the volatile nature of California state revenues due to its progressive tax system



A near 20% decline in the S&P 500 has impacted high income earners, which the state relies on for over nearly half its total revenue



State revenues have softened since the Governor's Budget proposal in January that has increased the state's budget deficit from \$22.5 billion to \$31.5 billion



Postponement of personal income tax (PIT) and corporation tax returns until October means an estimated \$42 billion are not due to come until fall

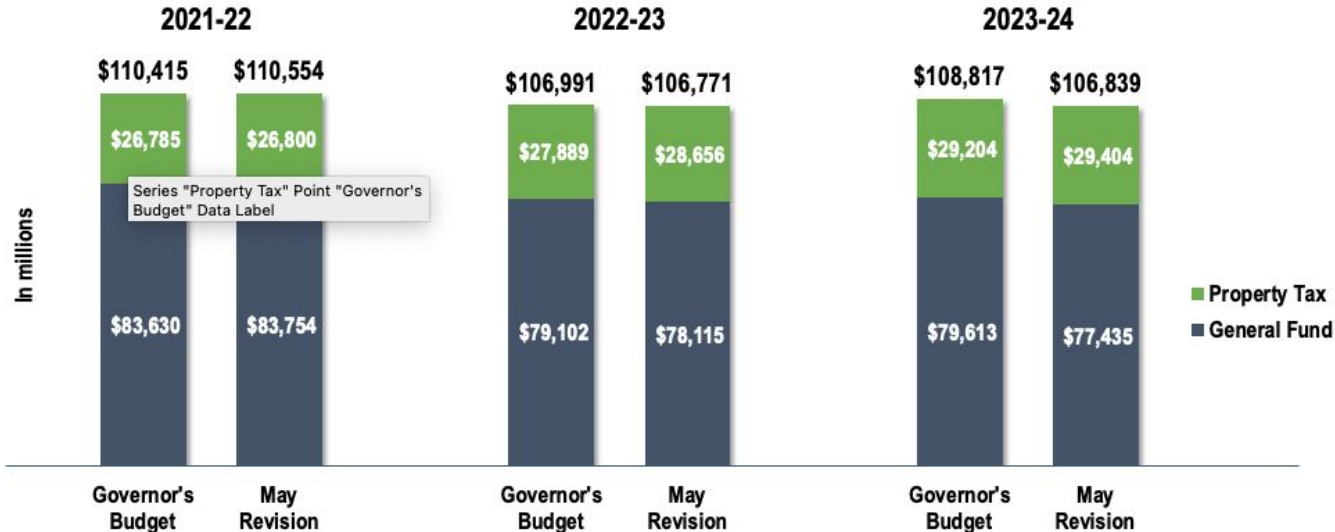


Interest rate hikes, persistent inflation, bank failures, and the debt ceiling fight in Washington D.C. all have the potential to add risk to the May Revision's projected revenue picture

Governor's Budget vs. May Revision

Proposition 98 Minimum Guarantee—January to May

- While the share of the minimum guarantee that comes from state General Fund revenues has decreased, local property taxes have steadily increased
 - This buoys the minimum guarantee in Test 1



2023-24 LCFF Funding Factors

Base grants are provided by grade span: K-3, 4-6, 7-8, and 9-12

Two grade span adjustments (GSAs) are applied as percentage increases to the base grants

- K-3—10.4%
- 9-12—2.6%

The May Revision increases LCFF base grants by the 8.22% statutory COLA—an increase in funding per student, NOT total funding

Supplemental and concentration grants are calculated based on the percentage—unduplicated pupil¹ percentage (UPP)—of enrolled students

¹English learners, eligible for free or reduced-price meals (FRPM), or foster youth

LCFF Funding Factors

2023-24 LCFF Funding Factors

Grade Span	TK	K-3	4-6	7-8	9-12
2022-23 Base Grant per ADA	\$9,166	\$9,166	\$9,304	\$9,580	\$11,102
8.22% COLA	\$753	\$753	\$765	\$787	\$913
2023-24 Base Grant per ADA	\$9,919	\$9,919	\$10,069	\$10,367	\$12,015
GSA	\$1,032	\$1,032	–	–	\$312
TK Add-on (inclusive of COLA)	\$3,044	–	–	–	–
2023-24 Adjusted Base Grant per ADA	\$13,995	\$10,951	\$10,069	\$10,367	\$12,327
20% Supplemental Grant per ADA ¹	–	\$2,190	\$2,014	\$2,073	\$2,465
65% Concentration Grant per ADA ²	–	\$7,118	\$6,545	\$6,739	\$8,013

¹Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 20% and UPP

²Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

LCFF Funding Factors

OTHER PLANNING FACTORS

Factors		2022-23	2023-24	2024-25	2025-26	2026-27
California CPI		5.71%	3.54%	3.02%	2.64%	2.89%
California Lottery	Unrestricted per ADA	\$170	\$170	\$170	\$170	\$170
	Restricted per ADA	\$67	\$67	\$67	\$67	\$67
Mandate Block Grant (District)	Grades K-8 per ADA	\$34.94	\$37.81	\$39.30	\$40.59	\$41.88
	Grades 9-12 per ADA	\$67.31	\$72.84	\$75.71	\$78.20	\$80.69
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$18.34	\$19.85	\$20.63	\$21.31	\$21.99
	Grades 9-12 per ADA	\$50.98	\$55.17	\$57.34	\$59.23	\$61.12
Interest Rate for Ten-Year Treasuries		3.65%	3.13%	2.81%	2.90%	3.00%
CalSTRS Employer Rate ⁴		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS Employer Rate ⁴		25.37%	26.68%	27.70%	28.30%	28.70%
Unemployment Insurance Rate ⁵		0.50%	0.05%	0.05%	0.05%	0.05%
Minimum Wage ⁶		\$15.50	\$16.00	\$16.50	\$16.90	\$17.30

OUSD Changes in ADA

	COVID	Hold Harmless	Three Year Average	Three year average	Three year average	Three year average
Fiscal Year	20/21	21/22	22/23	23/24	24/25	25/26
Actual ADA	Not Reported	14,844.60	14,267.07	N/A	N/A	N/A
ADA Funding Year	19/20	19/20	3 year average	3 year average	3 year average	3 year average
Funded ADA	16,302.20	16,296.21	15,957.11	15,258.71	14,421.91	13,808.99

Multi-Year Projection: Assumptions

	2023-2024	2024-2025	2025-2026
Attendance Ratio	89.99%	90.03%	90.38%
COLA	8.22%	3.94%	3.29%
CalSTRS	19.10%	19.10%	19.10%
CalPERS	26.68%	27.70%	28.30%
Declining Enrollment	-410 students	-410 students	-410 students
Health and Welfare	10% and 15%	10%	10%
Increase in Utilities	10%	10%	10%
Step and Column Increases	1.5%	1.5%	1.5%

10% Reserve Cap- “Prop. 98 Reserve”

Reserve Cap

- **Senate Bill (SB) 751 (Hill, Statutes of 2017) sets the threshold for triggering the cap on district reserves and the limits of how much school districts can maintain in their local reserves**

Caps district reserves at 10% using assigned/unassigned ending balance of General and Special Reserve For Other Than Capital Outlay Fund

Exempts basic aid districts and districts with fewer than 2,501 ADA

Multi-Year Projection **Unrestricted** Summary



	2023-2024	2024-2025	2025-2026
Revenues	\$178,916,693	\$177,640,409	\$175,391,795
Expenses	\$179,795,752	\$180,252,250	\$184,933,565
Net Change in Fund Balance/ Deficit Spending	(-\$879,059)	(-\$2,611,841)	(-\$9,541,770)
Beginning Fund Balance (7/1/22)	\$23,377,515	\$22,498,456	\$19,886,616
Ending Fund Balance (6/30/23)	\$22,498,456	\$19,886,615	\$10,344,845
Amount Needed to Meet Reserve	\$0	\$0	\$0
Reserve (3%) Calculated on the Expenditures on the Combined Summary	\$8,206,537	\$8,308,131	\$8,536,555

Multi-Year Projection **Combined** Summary



	2023-2024	2024-2025	2025-2026
Revenues	\$277,647,164	\$277,378,177	\$276,156,885
Expenses	\$273,551,233	\$276,937,675	\$284,551,851
Net Change in Fund Balance/ Deficit Spending	\$4,095,931	\$440,442	(-\$8,394,966)
Beginning Fund Balance (7/1/22)	\$46,402,898	\$50,498,829	\$50,939,271
Ending Fund Balance (6/30/23)	\$50,498,829	\$50,939,271	\$42,544,305
Ending Fund Balance: Restricted Amount	\$28,069,567	\$31,052,655	\$32,199,459
Nonspendable + Other Commitments	\$3,054,786	\$872,532	\$872,532
Adjusted Ending Fund Balance	\$19,374,476	\$19,014,084	\$9,472,314
Reduction Amounts Needed to Meet Reserve (3%)	\$0	\$0	\$0
Reserve (3%) Calculated on the Expenditures on the Combined Summary	\$8,206,537	\$8,308,131	\$8,536,555

Components of Ending Fund Balance

	Estimated Actuals for 22-23	Proposed Budget for 23-24
Non-spendable <ul style="list-style-type: none">• Stores, Revolving Cash, Prepaid Expenditures	\$360,032	\$360,032
Restricted <ul style="list-style-type: none">• Title I, Title III, Grants, Medi-cal, Lottery, COVID Funding	\$23,025,385	\$28,069,567
Assigned (4%-10%) <ul style="list-style-type: none">• Employee Compensation• Declining Enrollment Mitigation	\$8,000,000	\$8,000,000
Committed (Above 10%) <ul style="list-style-type: none">• Post-Retirement GASB 43/45• Facilities/Deferred Maintenance/Furniture & Equipment	\$2,348,659	\$2,694,754
Reserve (3%) Calculated on the Expenditures on the Combined Summary	\$10,619,065	\$8,206,537

Actions to Ensure Fiscal Solvency

- ❑ Closely monitor student enrollment and adjust staffing accordingly
- ❑ Reduce staff as funding timelines expire
 - ❑ Restricted funds: Titles, Grants, and COVID funding
- ❑ Evaluate Health and Welfare costs
- ❑ Identify possible reductions in contracted services
- ❑ Continue to incorporate updated revenue and expenditures as they become available for current and multi-year projections

Budget: Next Steps

- ❑ Approve and Adopt the Final Budget on June 27, 2023
- ❑ Complete the Year-End Close and Unaudited Actuals
- ❑ Present the Unaudited Actuals/Revised Budget on September 12, 2023

*Thank
you*