

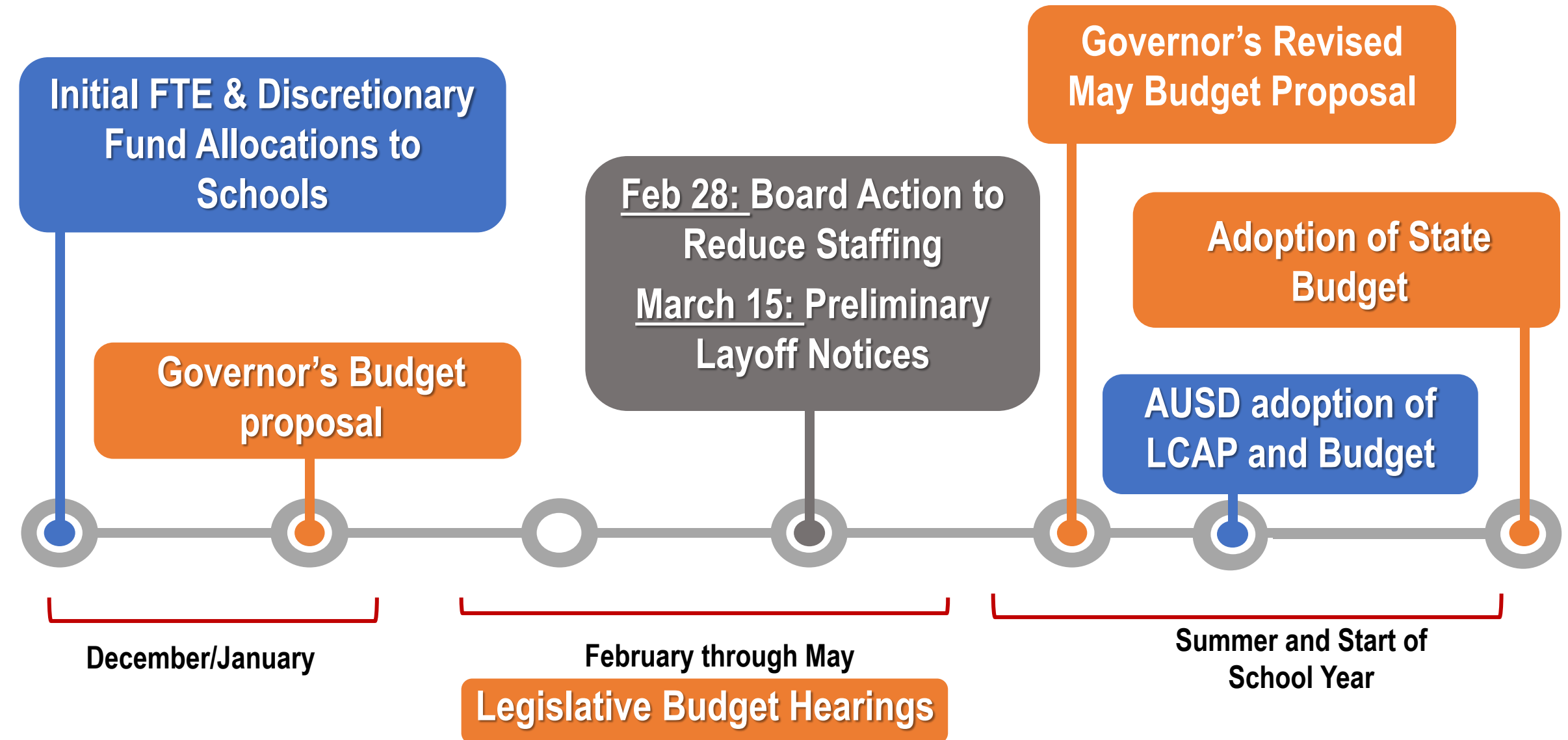
Governor's Budget Proposal for Fiscal Year 2023-24

January 24, 2023

Agenda

- **Budget timeline**
- **AUSD priorities**
- **Themes for the 2023-24 Governor's budget proposal**
- **State budget and economy**
- **Governor's proposal and impact on AUSD**
 - **It is a proposal!**

2023-24 AUSD & State Budget Calendar



AUSD Priorities



Employee Compensation – Recruitment & Retention



Strategic Plan Implementation



Fiscal Solvency

Themes for the 2023-24 Governor's Budget

- **Back to business as usual**
 - **First budget since 2020 without any funding related to COVID-19**
- **The Governor's Budget is focused on maintaining programs where possible while trimming others**
- **Softening economy**
- **Budget assumes continued growth in economy and a change in the economic conditions could require more difficult decisions at the May Revision**
 - **The State is better prepared to handle the downturn due to reserves built up during good years**

State Budget and Economy

- **Risks to economy**
 - **Persistent inflation**
 - **Rising interest rates**
 - **Continued supply chain issues**
 - **Struggling stock market**
- **Most economists believe that a mild recession will occur in 2023 or 2024**
- **The Governor's revenue forecast assumes slower economic growth, but not a recession, which leaves little room to make adjustments**

Cost of Living Adjustment (COLA)

Year	COLA Assumed at First Interim in December 2022	COLA Assumed in the Governor's Proposal	Potential Increase in AUSD Revenue
2023-24	5.38%	8.13%	Approx \$3.5 Million
2024-25	4.02%	3.54%	Approx 3.0 Million
2025-26	3.72%	3.31%	Approx 3.0 Million
Total			Approx \$9.5 Million

Consumer price Index (CPI)

Year	CPI Assumed at First Interim in December 2022	CPI Assumed in the Governor's Proposal	Increase in AUSD Expenditures
2023-24	2.58%	3.44%	Approx \$300 Thousand
2024-25	2.20%	2.77%	Approx 500 Thousand
2025-26	2.38%	2.49%	Approx 618 Thousand
Total			Approx \$1.4 Million

Contribution to Pension Systems

- **Investment losses for 2021-22 based on preliminary investment returns**
- **COVID retirement surge**
 - **More than anticipated number of retirees drawing pension**
 - **Replacement employees contributing less**
- **Governor did not include any new funding towards pension systems to provide relief for school districts**

Contribution to Public Employees Retirement System (CalPERS)

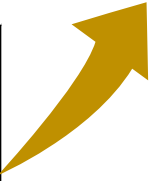
Year	PERS Rate Assumed at First Interim in December 2022	PERS Rate Assumed in the Governor's Proposal	Increase in AUSD Expenditures
2023-24	25.20%	27.00%	Approx \$400 Thousand
2024-25	24.60%	28.10%	Approx 800 \$Thousand
2025-26	23.70%	28.80%	Approx \$1.1 Million
Total			Approx \$2.3 Million

Contribution to State Teacher's Retirement System (CalSTRS)

Year	CalSTRS Funding Plan Increases	
	Rate	Year-over-year change
2013-14	8.25%	No increase since 1986
2014-15	8.88%	0.63%
2015-16	10.73%	1.85%
2016-17	12.58%	1.85%
2017-18	14.43%	1.85%
2018-19	16.28%	1.85%
2019-20	17.10%	0.82%
2020-21	16.15%	-0.95%
2021-22	16.92%	0.77%
2022-23	19.10%	2.18%
2023-24	19.10%	0%
2024-25	19.10%	0%
2025-26	19.10%	0%

- CalSTRS rate changes require legislative approval
- If CalSTRS follows CalPERS and implements similar rate increases:

Year	Potential Increase in AUSD Expenditures
2023-24	Approx \$1 Million
2024-25	Approx \$2.1 Million
2025-26	Approx \$3.1 Million
Total	Approx \$6.2 Million



Summary of Potential Changes

Description	2023-24 (millions)	2024-25 (millions)	2025-26 (millions)	Total (millions)
Cost of Living Adjustment (COLA)	\$3.5	\$3.0	\$3.0	\$9.5
Consumer Price Index (CPI)	-\$0.3	-\$0.5	-\$0.7	-\$1.5
Contribution to Public Employee's Retirement System (CalPERS)	-\$0.4	-\$0.8	-\$1.1	-\$2.3
Balance	\$2.8	\$1.7	\$1.2	\$5.7
Contribution to State Teacher's Retirement System (CalSTRS)	-\$1.0	-\$2.1	-\$3.1	-\$6.2
Balance	\$1.8	-\$0.4	-\$1.9	-\$0.5

Expanded Learning Opportunities Program (ELOP)

The Governor's Budget proposes no changes to the program

Per-Pupil Rate

- UPP* \geq 75%: \$2,750, set in statute
- UPP* < 75%: \$2,052 in 2022-23, but this amount will fluctuate each year depending on the amount that goes to high UPP LEAs

Funding For
AUSD:
\$2.5 Million



Contribution?

AUSD requested proposals for ELOP implementation

- Proposals are being evaluated - not encouraging
- ELOP is a mandatory program and may require a contribution
- Set-aside \$300K from LCFF Supplemental

*Unduplicated Pupil Count

Other Proposals

Discretionary Block Grant

- Reduction of \$2.3 million approximately
- From \$5.5 million to \$3.2 million

Universal TK

- No new funding for UTK
- Classroom ratio to stay at 12:1 and not reduce to 10:1

Museum Block Grant

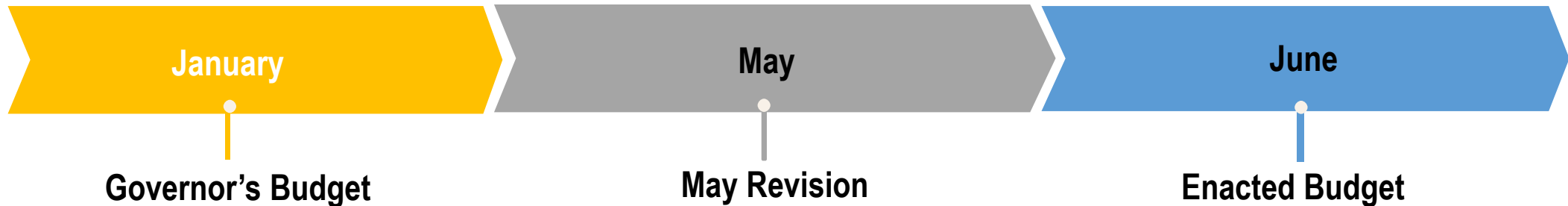
- \$100 million One-time prop 98 funds
- Provide 12th grade students opportunities to visit museums
- Approx \$100K to \$130K for AUSD if divided based on enrollment

Changes to LCAP

- Add specific goals, actions, and funding to address student/school needs if a student group performance is low on a California School Dashboard indicator
- Subsequent evaluations of effectiveness

Next Steps

- **This is a proposal!**
- **Second interim budget update will be based on Governor’s proposal and ACOE guidance**
 - **March 14, 2023 – will present 22-23 budget as of January 31, 2023**
- **District will continue its budget process and make changes based on the Board direction and other best available information**



Board Discussion & Questions