

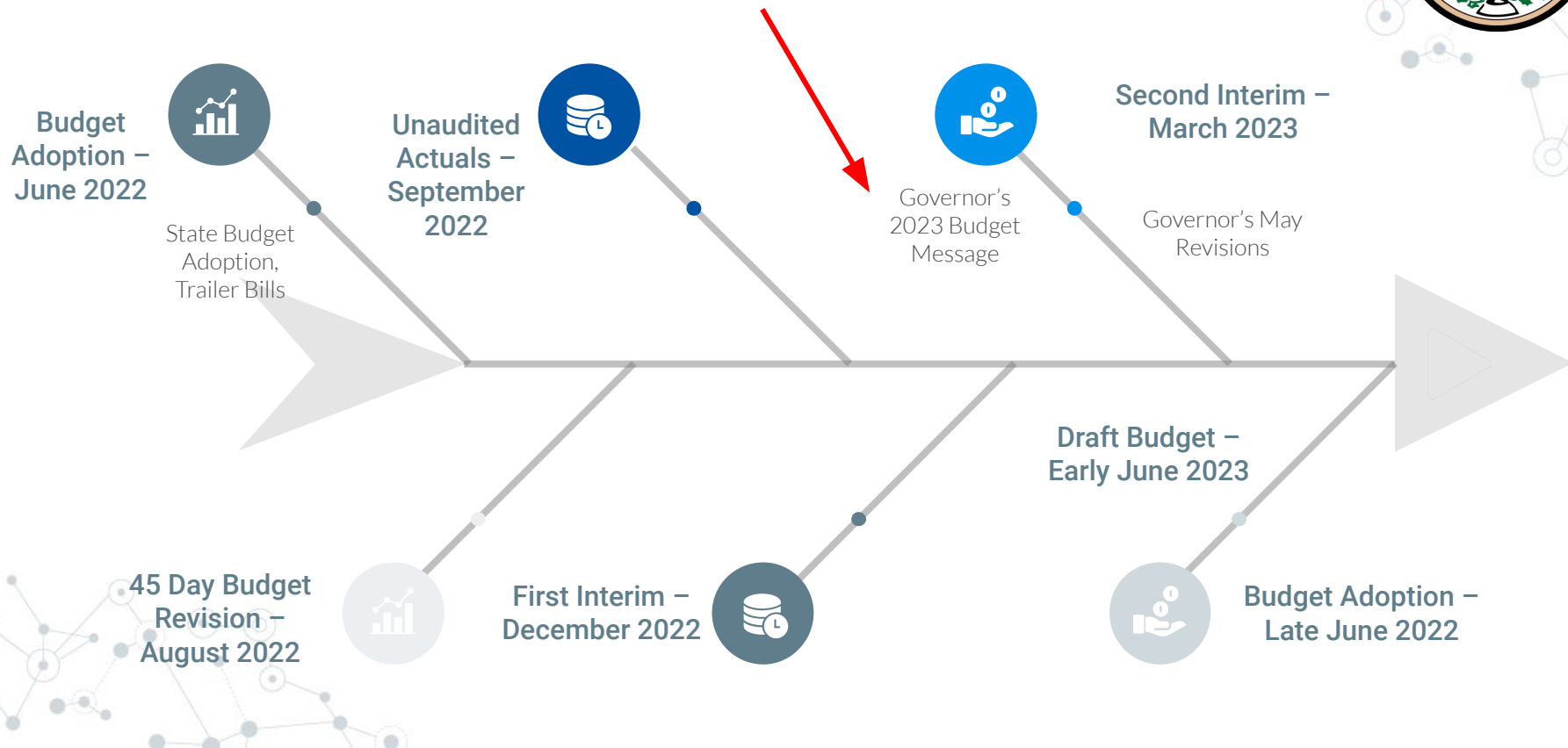
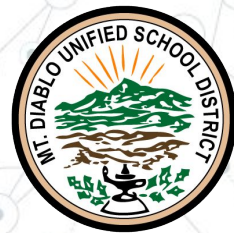
Governor's Budget Proposal for 2023-2024

**Budget Advisory Committee - Meeting
February 15, 2023**

Dr. Lisa Gonzales, Chief Business Officer



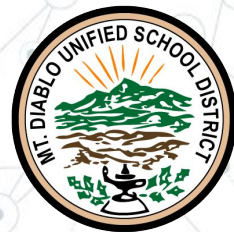
Budget Cycle 2022-23



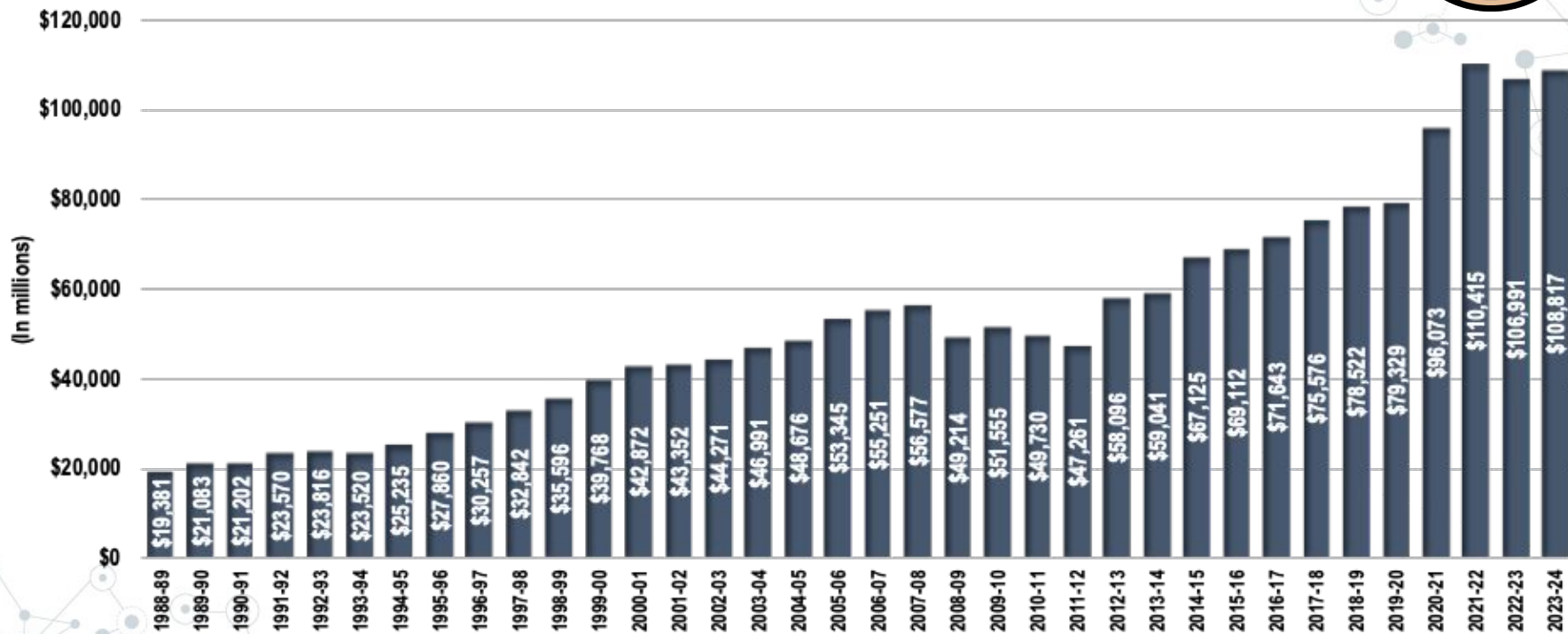


K-12 Spending Overview

- Governor provides 8.13% COLA for LCFF and other ongoing programs and avoids major cuts
 - \$4.2 billion for LCFF COLA
 - \$669 million COLA for select categorical programs, including SPED, child nutrition, CSPP, etc
- \$941 million ongoing for Arts & Music Initiative/Prop 28 (on top of Prop 98)
- \$855 million ongoing for TK expansion and TK staff
- \$300 million ongoing for an equity multiplier to LCFF
- \$3.5 million ongoing for Narcan at middle and high schools
- Provides relatively little new one-time spending, including:
 - \$250 million one-time for literacy coaches
 - \$100 million for cultural experiences for high school seniors (about \$200/high school senior)
- \$1.2 billion reduction in current year to Arts/Music/IM Discretionary Block Grant
- \$100 million reduction to 2023-24 GF resources for SFP (now at \$2 billion)



Proposition 98 Minimum Guarantee





LCFF Funding Formula and COLA

- The Cost of Living Adjustment (COLA) is calculated annually and applied to the LCFF formula to ensure districts can keep pace with increased spending and the economy
- COLA is a statutory formula - the Governor projects a COLA of 8.13% (but we had already budgeted for 5.38% in the MYP)
- LCFF uses Average Daily Attendance (ADA) for the student count. When enrollment declines, ADA goes down, and this reduces revenues

Impact of ADA drop (average daily attendance)

2022/2023 Adopted Budget - ADA assumptions

22/23 = 93.5% 23/24 = 94.0% 24/25 = 94.5%

2022/2023 First Interim - ADA assumptions

22/23 = 91% 23/24 = 91.5% 24/25 = 92.0%

Each 1% drop is a \$3.26M revenue decrease

22/23 = \$8.15M 23/24 = \$8.15M 24/25 = \$8.15M

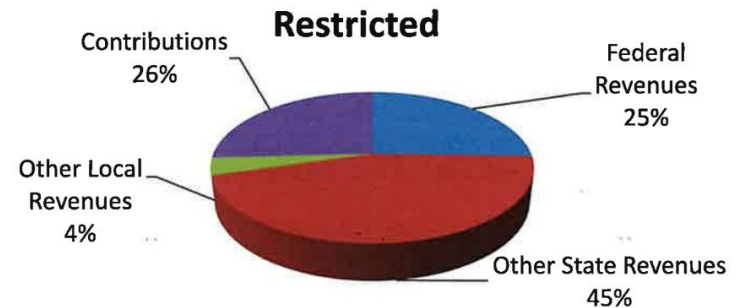
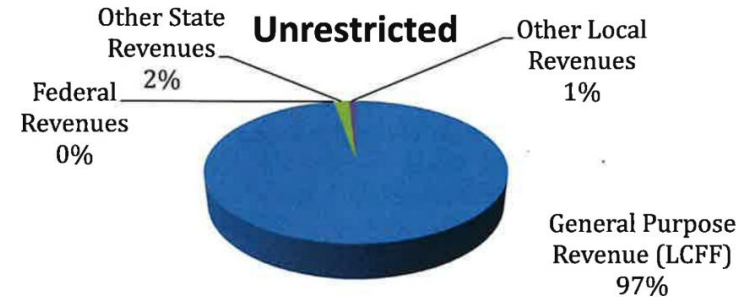


MDUSD Revenues from 1st Interim

LCFF is 59.62% of District revenues and others do not grow at the same rate as the COLA on the LCFF.

Other revenue sources are not expected to increase at the 8.13% increased rate:

- Local - 0% (2.31% of combined total budget)
- Federal - 0% (13.1% of combined total budget)



Stand-Alone Categorical Programs

Proposed for Ongoing Funding (no COLA)

- After School Education & Safety Program (\$794.6 million)
- Career Technical Education Incentive Grant (\$300 million)
- K-12 Strong Workforce Program (\$163.5 million)
- State Assessment Program (\$98.5 million + \$26.6 million federal)
- California Partnership Academies (\$21.4 million)
- County Office Fiscal Oversight (\$7.5 million)
- College Planning and Preparation Website (\$26 million)
- California School Information Services (\$6.5 million)
- Specialized Secondary Education Grants (\$4.9 million)
- Agricultural Education Incentive Program (\$6.1 million)
- Teacher Dismissal (\$300,000)

Proposed for Ongoing Funding (8.13% COLA)

- Special Education: (\$5.53 billion + \$1.37 billion federal)
- Child Nutrition (\$1.46 billion + \$3.5 billion federal)
- Adult Education Block Grant (\$651.7 million + \$106.4 million federal)
- Mandate Block Grant: (\$258.2 million)
- Foster Youth Programs: (\$32 million)
- American Indian Education Centers (\$5.2 million)
- American Indian Early Childhood Education Program (\$696,000)



School Employer Pension Costs

- Governor's budget does not include any relief for school employers in 2023-24

CalSTRS

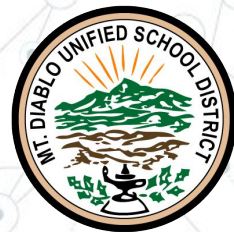
Fiscal Year	**
2021-22	16.92%
2022-23	19.1%
2023-24	19.1%*

CalPERS

Fiscal Year	Contribution Rate
2021-22	22.91%
2022-23	25.37%
2023-24	27.0%*
2024-25	28.1%*

* Latest projected rates based on most recent projections

** CalSTRS Board now allowed to adjust employer contribution rate up or down by up to 1% each year, but no higher than 20.25% and no lower than 8.25%



No Relief for Pension Costs

No support is planned for:

- STRS - no buy down and the current 19.1% is notable compared to the 8.25% in 2013
- PERS increase is a big change from prior estimates
 - \$1,174,654 in 23/24
 - \$2,398,252 in 24/25

Year	Prior Projections per SSC Dartboard	Projected Rates per Most Recent CalPERS Actuarial Report ¹
2022-23	25.37%	25.37%
2023-24	25.20%	27.00%
2024-25	24.60%	28.10%
2025-26	23.70%	28.80%

¹Projected rates reflect an investment loss for 2021-22 based on preliminary investment returns, as well as an anticipated decrease in normal cost due to new hires entering lower cost benefit tiers

The 3-year average was a “loan” that is coming due

Year	Enrollment CALPADS	Actual ADA	ADA %	Actual UPP	3-Year UPP	Funded ADA	3-Year ADA Average
2019-2020	30,724	29,144.95	94.86%	47.04%	49.09%	29,784.56	
2020-2021	29,582	29,144.95	98.52%	45.80%	47.79%	29,144.95	
2021-2022	28,829	26,405.79	91.59%	52.98%	48.54%	29,144.95	
2022-2023*	28,879	26,482.56	91.70%	49.55%	48.61%	28,545.75	28,545.75
2023-2024*	28,829	26,378.54	91.50%	48.81%	49.44%	27,658.28	27,658.28
2024-2025*	28,729	26,430.68	92.00%	48.81%	50.45%	26,736.15	26,736.15
2025-2026*	28,679	26,528.08	92.50%	48.81%	49.06%	26,430.68	26,430.59
			103.5657%	PROXY ADA	2021-2022	27,347.34	

*from Annual and P2 Apportionment Files
- CDE, average per student and not grade span

Year	Base Grant	Supplemental Grant	Concentration Grant	Total LCFF (does not include TIIG or Transportation add-on)	Average LCFF Per Enrolled Student	State Funded COLA	District Funded Change	Funded ADA Change
2019-2020	\$251,015,372	\$24,644,689	\$0	\$275,660,061	\$8,972	3.26%		
2020-2021	\$249,363,245	\$23,834,140	\$0	\$273,197,385	\$9,235	0.00%	(0.89%)	(639.61)
2021-2022	\$261,614,466	\$25,397,533	\$0	\$287,011,999	\$9,956	5.07%	5.06%	0.00
2022-2023*	\$284,192,032	\$27,628,081	\$0	\$311,820,113	\$10,797	6.56% + 6.70%	8.64%	(599.20)
2023-2024*	\$298,639,473	\$29,532,052	\$0	\$328,171,525	\$11,383	8.13%	5.24%	(887.46)
2024-2025*	\$304,347,768	\$30,707,643	\$0	\$335,055,411	\$11,663	3.54%	2.10%	(922.14)
2025-2026*	\$308,250,978	\$30,243,531	\$0	\$338,494,509	\$11,803	3.31%	1.03%	(305.47)
								(3,353.88)