

2023-24 PROPOSED BUDGET

June 1, 2023

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PRESENTATION OVERVIEW



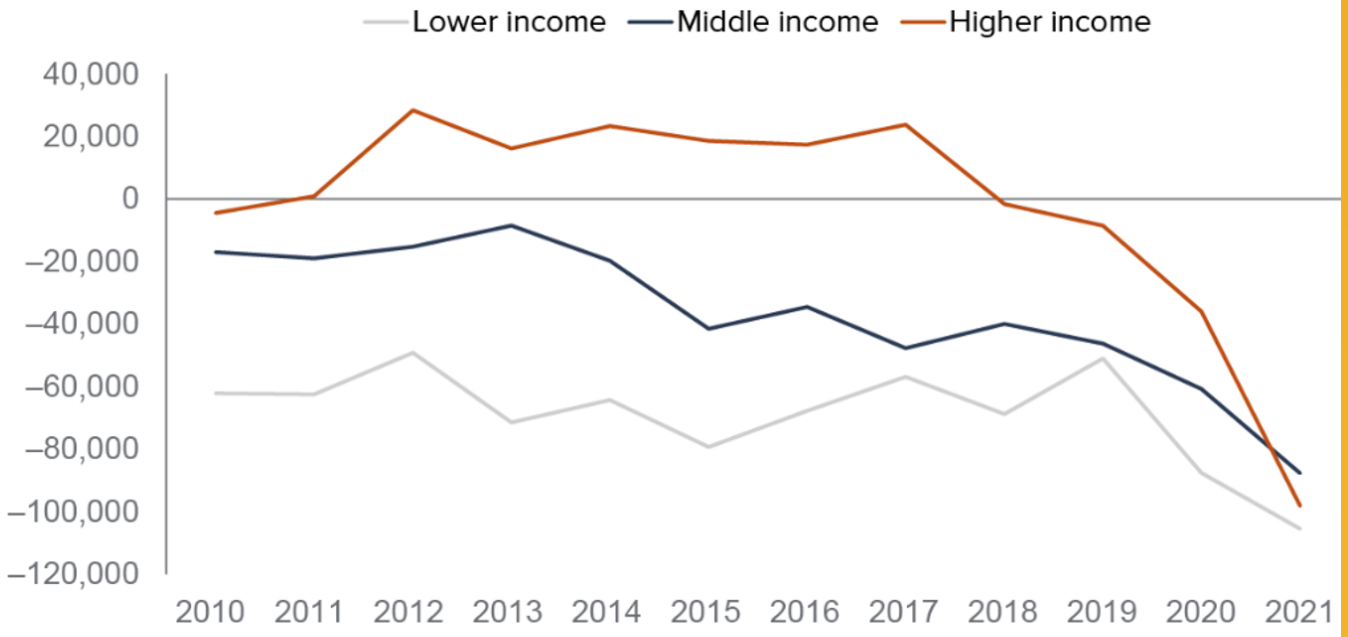
- State Economic Outlook (May Revise Update)
- 2023-24 Proposed District Budget
- Next Steps



STATE ECONOMIC OUTLOOK
May Revise Update

California Migration Trends—Net Migration by Income

- The Public Policy Institute of California (PPIC) issued a blog about new migration patterns that may impact the state economy and revenues if they continue
  - California is losing more residents than it is gaining, at all income levels
  - Since 2018, the net loss of higher-income residents has been starker than low- and middle-income Californians

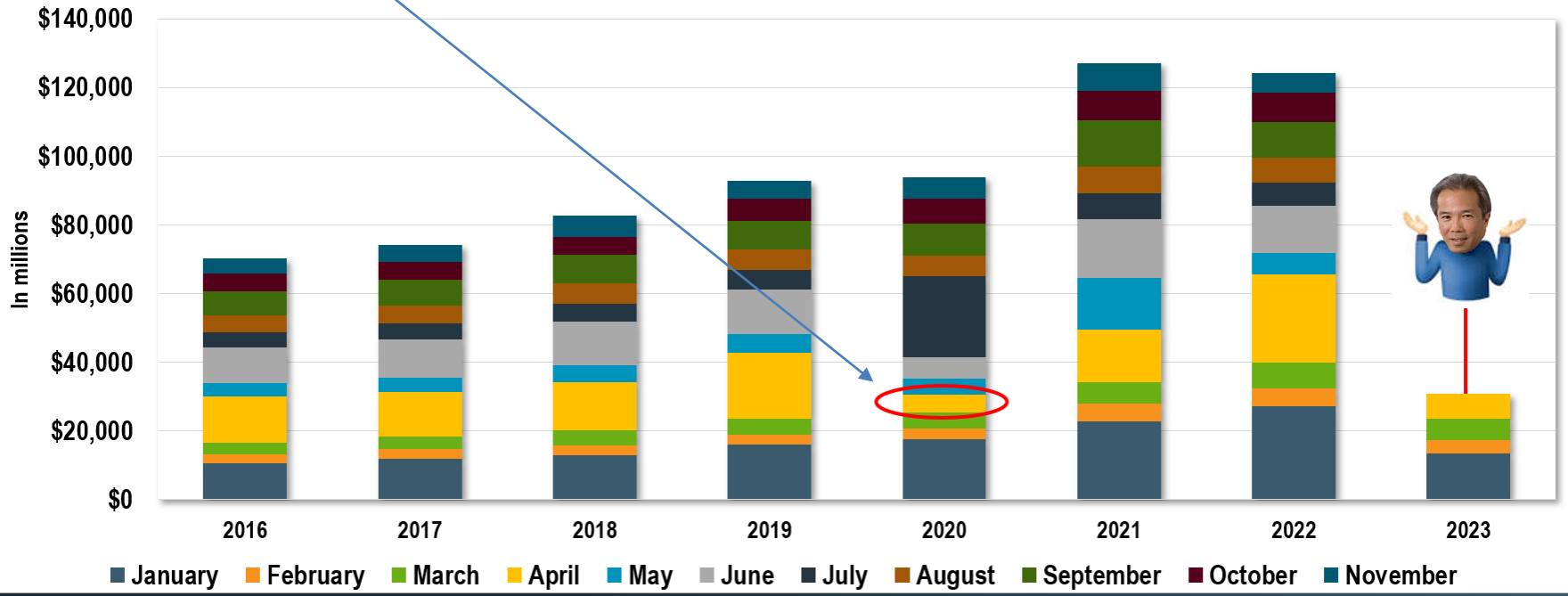


Source: PPIC, March 21, 2023

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Personal Income Tax Receipts—Historical Monthly Trends

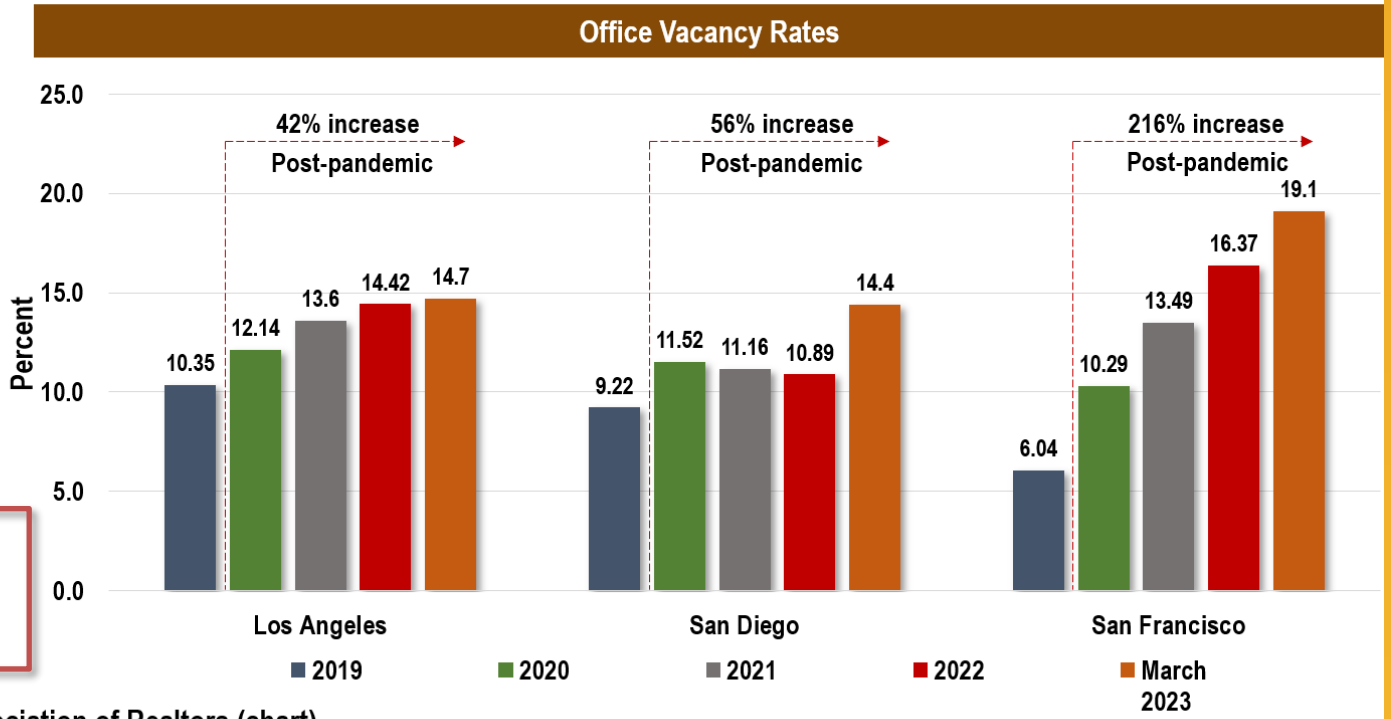
- April PIT receipts are significant for state revenues and budget projections
  - Between 17% to 21% of total PIT revenues are collected in April alone
  - Deferred tax deadlines warp historical trends with April raising only 6% of total PIT receipts in 2020



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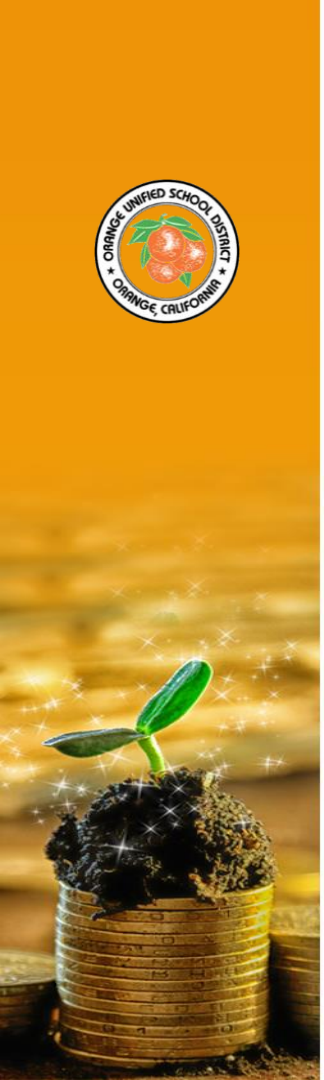
Commercial Real Estate Market

- The COVID-19 pandemic has had a lasting impact on commercial real estate as more companies adapted to remote work and adopted permanent flexible work policies
- Office vacancies in the state's historically robust urban centers skyrocketed
- The loss of lease profits comes at a time when commercial mortgages are due to be refinanced at higher interest rates
  - $2.9 trillion in mortgages due in the next two years



Sources: Morgan Stanley; National Association of Realtors (chart)

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POCKET BUDGET

A Summary Analysis of the 2023-24 Governor's May Revision Proposals for California's Schools

THE ECONOMY & STATE REVENUES



$31.5 Billion

The January Governor's Budget deficit of $22.5 billion grows to $31.5 billion at the May Revision

Significant Reductions to the "Big Three" Tax Revenues Compared to the 2022-23 Enacted Budget

Budget Year	Personal Income Tax	Sales and Use Tax	Corporation Tax
2022-23	-10.7%	-2.7%	18.7%
2023-24	-17.8%	-5.1%	0.2%

Riskiest Budget in Over a Decade

- Federal debt ceiling uncertainty
- Increased cost of borrowing due to interest rate hikes by the Federal Reserve
- Major regional bank failures
- Delayed tax receipts



PROPOSITION 98

$106.8 Billion

Represents a $2 billion reduction for 2023-24 compared to the January Governor's Budget estimates



PROP 98 RESERVE



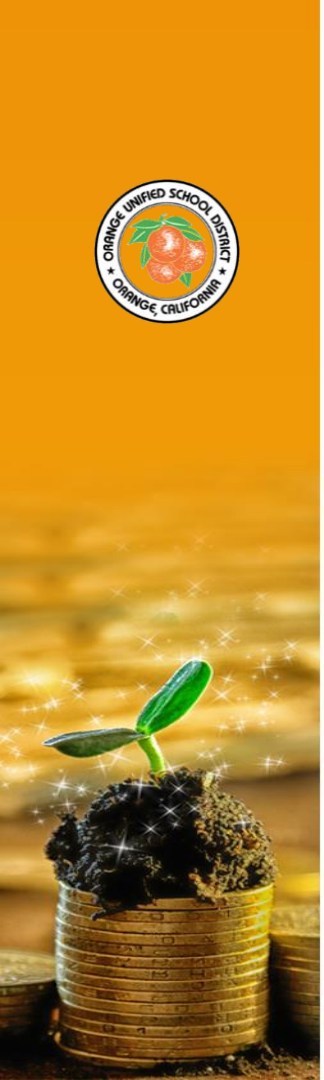
$10.7 Billion

The increase in fund balance in 2023-24 is attributable to a larger share of General Fund revenues coming from capital gains compared to the January estimates. This maintains the requirement to cap local reserves at 10%.

Cost-of-Living Adjustment (COLA)



2023-24	2024-25	2025-26	2026-27
8.22%	3.94%	3.29%	3.19%



LOCAL CONTROL FUNDING FORMULA (LCFF)

LCFF Target Entitlements for School Districts and Charters

	TK-3	4-6	7-8	9-12
2023-24 Base Grants	$9,919	$10,069	$10,367	$12,015
Grade Span Adjustment	$1,032	–	–	$312
2023-24 Adjusted Base Grants	$10,951	$10,069	$10,367	$12,327
TK Add-On (inclusive of COLA)	$3,044	–	–	–

Note: Reliant on one-time funds to support ongoing LCFF costs

$300 Million
LCFF EQUITY MULTIPLIER

The proposed new LCFF add-on targeting highest poverty schools remains unchanged from the Governor's Budget

Funds go to schools serving a high percentage of students eligible for federal free meals

90% Elementary and Middle Schools

85% High Schools

PROPOSED CUTS

$4.2 Billion
Cuts Across Two Programs

$1.7 Billion — Arts, Music, and Instructional Materials Discretionary Block Grant

The 2022-23 Enacted Budget included $3.5 billion for a discretionary block grant. The Governor's Budget proposed reducing this to $2.3 billion. This amount is further reduced to $1.8 billion at the May Revision.

$2.5 Billion — Learning Recovery Emergency Block Grant

The 2022-23 Enacted Budget included $7.9 billion for a one-time grant focused on learning recovery. The May Revision reduces this grant to $5.4 billion, a decrease of approximately 32%.

PROPOSITION 28

1%

$933 Million

Annual Proposition 28 funding is required to be equal to 1% of the K-12 share of the minimum guarantee from the prior fiscal year

The cost to fully fund Prop 28 in 2023-24, a decrease of $8 million from the estimate provided in January

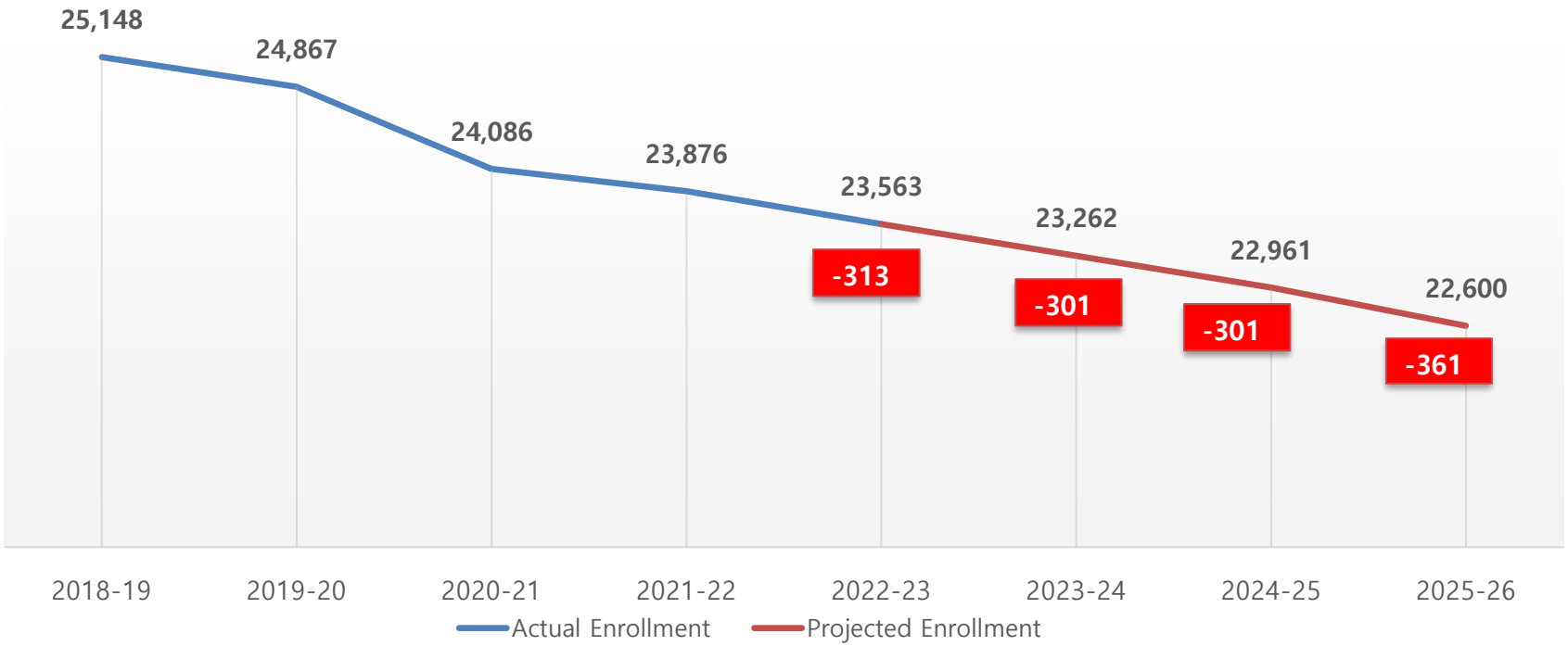
No Cuts to the Following Programs

- Expanded Learning Opportunities Program
- Universal Transitional Kindergarten
- Universal Meals Program
- Home-to-School Transportation
- Special Education Funding
- California Community Schools Partnership Program
- Educator Workforce Programs
- California State Preschool Program



2023-24 Proposed Budget
Based on Governor's January Budget

OUSD HISTORICAL ENROLLMENT (EXCLUDING CHARTER SCHOOLS)



ENROLLMENT AND ADA PROJECTIONS



- Enrollment projected to decline an additional 301 next 2 years & 361 the following

- 2023-24 funding based on the average ADA of the most recent 3 prior years' average ADA (20-21, 21-22 & 22-23) –State Enacted Budget Act Revised funding model

Fiscal Year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Enrollment	24,086	23,876	23,563	23,262	22,961	22,600
Change in Enrollment		-210	-313	-301	-301	-361
Actual ADA	23,971	22,316	22,007	21,747	21,467	21,131
Funded ADA	23,971	23,907	23,603	22,973	22,256	21,757
Benefits from 2022-23 Budget Act		1,591	1,596	1,226	789	626

Budget Projections – Revenue

Based on Governor's January Budget



	2023-24	2024-25	2025-26
Student Enrollment	-301	-301	-361
Attendance Rate	93.29%	93.37%	93.38%
Unduplicated Pupil Percentages (UPP)	59.98%	59.98%	59.98%
TK Add-on	542 @ $3,041.70	542 @ $3,149.37	542 @ $3,253.62
Cost of Living Adjustment – LCFF & SPED.	8.13%	3.54%	3.31%
Lottery- Unrestricted/ Restricted	$170/ $67	$170/ $67	$170/ $67
Mandated Block Grant K-8 / 9-12	$37.78/ $72.78	$39.12/ $75.36	$40.41/ $77.85
Learning Recovery & Arts & Music Block Grant	$40.63M**	-	-

*21-22 UPP Rate
= 46.61%

** Learning Recovery Block Grant reduced by 32% and
Arts & Music Block Grant reduced by 50% at the May Revision

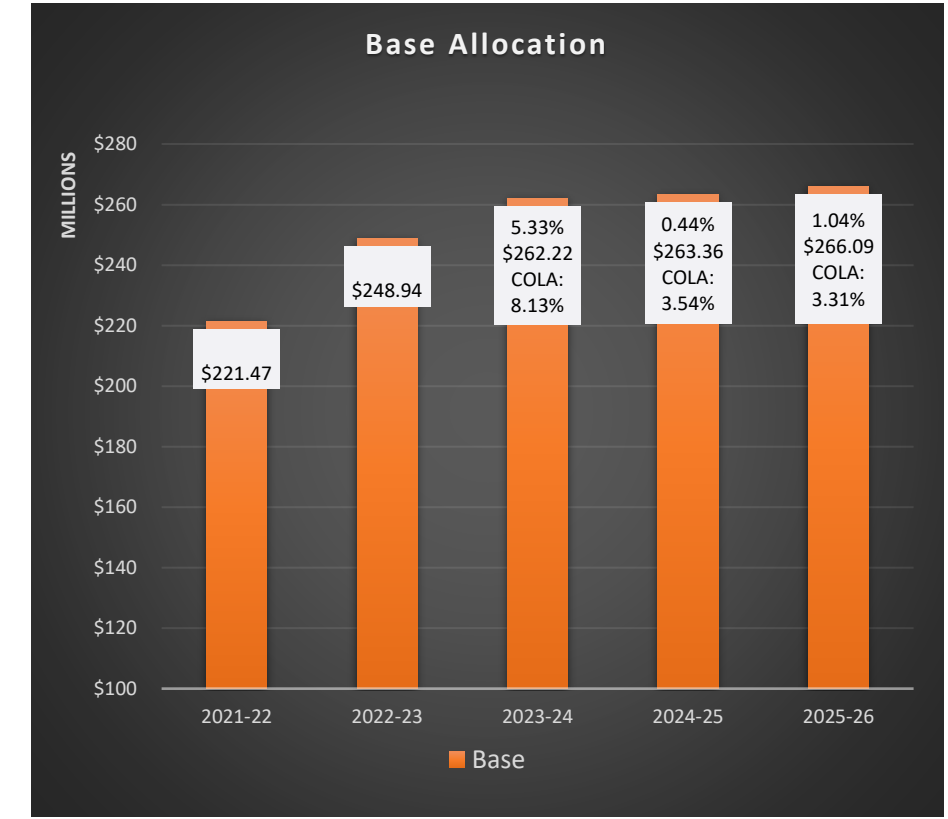
Budget Projections – Expenditures

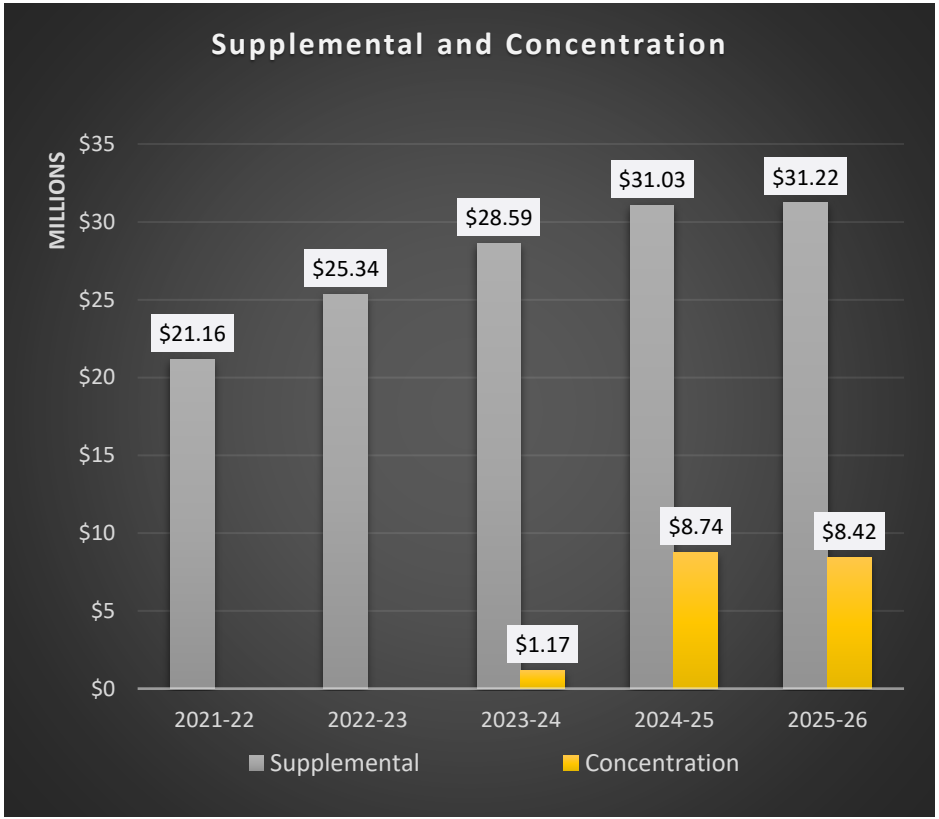
Based on Governor's January Budget



	2023-24	2024-25	2025-26
Employee Compensation OUEA & Leadership	-	-	-
Employee Compensation CSEA	1.5% ongoing & 1.95% one-time	-	-
Step and Column- Certificated	1.84%	1.63%	1.55%
Step and Column- Classified	2.23%	1.91%	1.91%
CalSTRS (certificated employees)	19.10%	19.10%	19.10%
CalPERS (classified employees)	27.00%	28.10%	28.80%
State Unemployment Insurance	0.20%	0.20%	0.20%
Employer Contributions (Health Benefits)	OUSD contribution level increases eff Jan 2023 for OUEA & Leadership; Calendar year 2023 one-time increase in OUSD Contribution	OUSD Contribution level increases effective Jan 2024 for CSEA;	
Textbooks	$2.25M	$6.8M	$4.99M
CPI* for Supplies & Other Services & Expenses	3.44%	2.77%	2.49%

Local Control Funding Formula (LCFF) Revenue Allocations





Multi-Year General Fund Projections



	2022-23	2023-24	2024-25	2025-26
TOTAL REVENUES	$ 438,191,212	$ 394,751,382	$ 406,272,455	$ 403,272,970
TOTAL EXPENDITURES	398,829,385	380,504,557	389,970,629	371,054,924
CHANGE IN FUND BALANCE:	39,361,827	14,246,825	16,301,826	32,218,046
Unrestricted Balance	10,786,968	21,294,740	22,481,765	40,199,408
Restricted Balance	28,574,859	(7,047,915)	(6,179,939)	(7,981,362)
BEGINNING FUND BALANCE	114,172,540	153,534,367	167,781,192	184,083,018
PROJECTED ENDING BALANCE	**$ 153,534,367**	**$ 167,781,192**	**$ 184,083,018**	**$ 216,301,064**

Components of Ending Fund Balance	2022-23	2023-24	2024-25	2025-26
PROJECTED ENDING BALANCE	**$ 153,534,367**	**$167,781,192**	**$184,083,018**	**$216,301,064**
Stores and Revolving Cash	517,730	521,933	521,933	521,933
Restricted Programs Balance:	**47,519,129**	**40,471,214**	**34,291,275**	**26,309,913**
Assignments:				
•Attract & Retain Program	2,902,132	2,592,132	2,332,132	2,072,132
•Personnel Vacancies	16,920,000	16,920,000	17,857,794	17,254,425
•Transportation Reorganization	0	1,472,984	1,472,984	1,472,984
•LCFF and Site Donations Carryover	4,362,327	4,160,271	4,160,271	4,160,271
Commitments:				
Loss of COLA Funding	-	21,837,423	54,047,662	95,247,852
Fiscal Emergencies	11,805,701	17,858,297	7,183,216	8,074,005
Textbook Adoption	9,291,719	9,291,719	9,291,719	9,291,719
Replacement and Updating Technology	9,170,413	9,170,413	9,170,413	9,170,413
Enrollment Decline (500 students)	6,471,181	8,402,145	8,402,145	8,402,145
District Program Priorities	1,600,651	6,600,651	6,600,651	6,600,651
ADA Stabilization Plan - 2 years	5,356,972	5,356,972	5,356,972	5,356,972
Vacation Liability	4,672,465	3,972,465	3,972,465	3,972,465
Vehicle Replacements	3,447,748	3,246,961	3,246,961	3,246,961
Facility Maintenance	2,783,207	2,783,207	2,783,207	2,783,207
Pension Obligations	4,268,975	739,269	739,269	739,269
Essential Workers (Covid Funding)	7,263,267	-	-	-
Contingency/Unappropriated:				
•3% Reserve for State Required Contingency	11,964,882	11,415,137	11,699,119	11,131,648
•Unappropriated Fund Balance	3,215,868	967,999	952,830	492,099
Unappropriated Fund Balance Percentage	2.09%	0.58%	0.52%	0.23%



NEXT STEPS

Next Steps



June 1, 2023	• Public Hearing 2023-24 LCAP and District's Proposed Budget
June 20, 2023	• Board adopts 2023-24 LCAP and District's Budget • Submit Approval and Budget to Orange County Education for Authorization
June 30, 2023	• The State budget passed by Legislature and signed by the Governor
Aug 17, 2023	• 45-Day Budget Revisions based on the Enacted State Budget 2023-24
Sept 7, 2023	• 2022-23 Unaudited Actuals Report



BOARD MEMBER QUESTIONS OR COMMENTS