

2023-24 45-Day Budget Revision

Introduction

Education Code 42127 (h) states: “Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by the Budget Act.”

For the 2023-2024 fiscal year the 45-Day Budget Revision must be made available to the public by August 11, 2023. This 45-Five Day Budget Revision document has been prepared for publication on the Pleasant Valley School District website prior to August 11, 2023.

Education Code requires school districts’ Boards of Trustees to adopt a district budget by June 30 of each year. This means that school district budget development and review - a months-long process - takes place before the state adopts a final budget. School district adopted budgets are therefore based on information from the winter and spring of the preceding fiscal year. School district funding is primarily determined at the state level, so changes in the state budget translate into changes at the local school district level. After the state budget is adopted, typically in late June, school districts update their budgets and communicate those revisions via the 45-Day Budget Revision.

Revenue Changes – Unrestricted General Fund

It is important to emphasize that this 45-Day Budget Revision provides information on revenue changes between the District’s Adopted Budget and the 45-Day revise. This document does not provide a summary of year-over-year funding changes. This distinction is important because the District’s Adopted Budget (using information from the Governor’s May Revise) already anticipated a year-over-year funding increase.

The state’s Adopted Budget includes an 8.22% Cost of Living Adjustment (COLA) to the Local Control Funding Formula (LCFF), which is the major component of PVSD’s unrestricted general fund revenue. The 8.22% COLA matches the May Revise estimate used as an assumption in the District’s adopted budget. Therefore, this 45-Day Revision projects no changes to unrestricted general fund revenues. That is not to say that



unrestricted general fund revenue increases are not possible through increases to average daily attendance (ADA). However, those increased revenues would be estimated at the interim reporting periods if ADA improves to surpass the estimates used at District budget adoption.

The enacted state budget creates an Equity Multiplier funding stream, targeted to schools which serve student populations comprised of more than 70% economically disadvantaged students and 25% “transient” students – a metric specifically defined for calculation of the Equity Multiplier. PVSD has no schools serving student bodies meeting these criteria, so no PVSD schools will receive this additional funding.

The enacted state budget allocates funding to a variety of one-time grant programs. As of the writing of this 45-Day Revision the California Department of Education has not published full eligibility criteria or application processes. Therefore, it is not possible to assume or estimate funding that PVSD might receive through these grant programs. If PVSD does qualify for grant funding later in the fiscal year, staff will communicate revenue updates via the interim reports.

Revenue Changes – Restricted Funds

As of the 2022-23 Second Principal Apportionment, PVSD’s Expanded Learning Opportunities Program (ELOP) was slated to receive \$2,595,739 in funding for the 2022-23 fiscal year. In light of state financial challenges the District’s 2023-24 adopted budget estimated moderate funding decreases to the ELOP program, and planned for \$2.2M in revenue, an approximate 15% funding reduction. However, the state budget did not reduce funding for the ELOP program. As of the writing of this document, state apportionment estimates were not available. Because of the tiered nature of ELOP funding, accurate locally developed funding estimates are not possible for sub-75% Unduplicated Pupil Percentage (UPP) districts until the Rate 2 per ADA funding is determined by the state. Although an actionable estimate is not possible at this time, the state budget’s maintenance of program funding levels will likely result in ELOP funding closer to 2022-23 funding amount, rather than the 15% reduction projected in the District’s adopted budget.

Proposition 28, the voter-approved initiative to support arts programs in schools allocates funding equivalent to 1% of the TK-12 portion of Proposition 98 funding -the

statutorily-set minimum funding for education. As state revenue estimates grew increasingly bleak throughout the spring of 2023, general confidence in Proposition 98 funding level estimates diminished. This led to widespread caution about Proposition 28 funding levels. As of the date of District budget adoption, CDE had not yet published a resource code for Proposition 28 programs. Lacking a resource code for our financial system we chose not to incorporate a Proposition 28 funding estimate in the District's Adopted Budget. With the state budget settled, and the data now available for estimates, School Services of California projects that PVSD will receive \$784K in Proposition 28 funding for 2023-24. Although a resource code has been published, CDE does not anticipate publishing apportionment data or distributing funds until fall of 2023.

The Governor's May Revision proposed a 30% retroactive cut to the Learning Recovery Emergency Block Grant (LREBG), a 2022-23 fiscal year source of one-time funds. The May Revision also included a proposed 50% retroactive reduction to the Arts, Music, and Instructional Materials Block Grant (AMIMBG), another 2022-23 fiscal year source of one-time funds. The adopted state budget includes reduced cuts to these programs—approximately 6% for AMIMBG and 14% for LREBG. Without delving into the details of the accounting transactions needed to execute these changes, although this reduction in cuts does not create new revenue attributable to the 2023-24 fiscal year, the net effect of these reduced cuts is an increase in carryover from 2022-23 relative to the District's Adopted Budget projections. Put more simply, the District will have more LREBG and AMIMBG dollars available in the 2023-24 fiscal year than was projected at budget adoption.

Expenditure Changes

In addition to revenue changes, the 45-Day Budget Revision should include any revisions the District has made to its budgeted expenditures in response to the Budget Act. Because the District does not anticipate unrestricted general fund revenue changes related to state budget adoption, this document also does not project any expenditure changes.

Regarding restricted programs, the availability of Proposition 28 dollars will result in an increase in spending on arts programs. The details of those expenditures will be incorporated into the First Interim budget revision, subsequent to the development of school site plans for the use of funds.

Prior to the proposed retroactive cut to LREBG and AMIMBG funds, PVSD had developed a multi-year estimate for expenditure of those funds. As of the writing of this 45-Day Revision, the reduction in funding cuts does not change the District's expenditure plans for 2023-24. However, changes to subsequent year spending will increase proportionate to the restoration of funds.

Summary

With the state income tax filing deadline for most Californians delayed until October of 2023, the largest source of uncertainty impacting the state budget – a significant but incompletely quantified state revenue shortfall - still looms on the horizon. Therefore, it is more important than ever to emphasize the iterative nature of school district budgets. With each cycle of state budget news the District will consider the local impacts, update budget projections, and communicate the changes.