CALIFORNIA COUNTY SUPERINTENDENTS

The Common Message

2023-24 Second Interim Report

BASC

Business and Administration Services Committee

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Sources

Association of California School Administrators
Ball / Frost Group, LLC
California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California Public Employees' Retirement System
California State Teachers' Retirement System
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
K-12 High Speed Network
National Forest Counties and Schools Coalition
School Services of California
Small School Districts' Association
Statewide LEC Co-chairs
WestEd

Background

Since May 2008, county office chief business officials (CBOs) have created common messages to offer districts guidance on crafting assumptions for budget and interim reports. The Business and Administration Services Committee's (BASC's) goal is to support this endeavor by providing county office CBOs with a uniform common message, based on assumptions used by the California Department of Finance (DOF).

The BASC would like to thank the DOF, the State Board of Education (SBE), the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team (FCMAT), as well as our colleagues listed in the sources section, for providing BASC and our local educational agencies (LEAs) with the most up-to-date information at the time of writing.

Purpose: The BASC Common Message is intended to provide guidance and recommendations to county offices of education (COEs). COEs will tailor this guidance to the unique circumstances of the LEAs in their counties. Even within a county, guidance may vary considerably depending on each district's educational, fiscal, and operational characteristics. Districts and other entities seeking to understand the guidance applicable to a particular LEA should refer to the information released by the COE in the county where the LEA is located.

Key Guidance Based on the Governor's Budget Proposal

On January 10, 2024, Governor Gavin Newsom released the proposed state budget for 2024-25. The Governor's Budget revealed that state tax collections for 2022-23, which were delayed to October and November 2023, were approximately $43 billion lower than anticipated. As a result, the state has an estimated $37.9 billion budget deficit. The budget addresses this deficit by reserve draw-downs, spending reductions, new revenue proposals, internal borrowing, funding delays, fund shifts, and deferrals. The governor does not propose significant reductions to education programs, but the proposed cost-of-living adjustment (COLA) is significantly less than in recent years.

The major transitional kindergarten through grade 12 funding provisions in the 2024-25 Governor's Budget are as follows:

- The funded COLA to the Local Control Funding Formula (LCFF), special education and several other categorical programs outside the LCFF is 0.76%.
- Transitional kindergarten eligibility is expanded to all four-year-olds who turn five from September 2 through June 2.
- The budget includes several proposals to address chronic absenteeism and lost instructional time, including the following (see Attendance Recovery and Instructional Continuity and Learning Recovery Emergency Block Grant below for further details):
  - Allowing attendance recovery time to be added to the attendance data submitted to the CDE, both for funding purposes and chronic absenteeism.
  - Requiring schools to give students access to remote instruction or support to enroll in a neighboring LEA for emergencies lasting five days or more.

- Requiring schools to focus the use of unexpended Learning Recovery Emergency Block Grant (LREBG) funds on actions to address the needs of students most affected by learning loss.

- The budget includes $2.1 billion to (1) maintain funding for the 118,000 subsidized childcare slots added since the 2021 Budget Act slot expansion plan was initiated and (2) fund 28,000 additional slots expected to be filled in 2024-25.

- No COLA is provided for the California State Preschool Program. Instead, the budget maintains funding to implement the current memorandum of understanding between the state and Childcare Providers United – California on rates paid to preschool and childcare providers. These rates will be renegotiated for 2024-25.

- The budget projects that Proposition 28 (The Arts and Music in Schools Funding Guarantee and Accountability Act) funding will decrease slightly, from $938 million in 2023-24 to $931 million in 2024-25, based on the reduction in the overall size of the Proposition 98 guarantee.

- The budget maintains $500 million in one-time funds for 2024-25 for green school bus fleets.

- The budget includes $25 million ongoing, through the Mandate Block Grant, to help train educators to administer literacy screenings.

- The budget proposes up to $35 million in revenues from new taxes on retail sales of ammunition and firearms to be available in 2025-26 for professional development to equip school staff with the tools needed to recognize and offer appropriate mental health supports for students.

- The budget includes $5 million in one-time funds to extend the Broadband Infrastructure Grant through 2029. In addition to providing fiber broadband connectivity to the most poorly connected schools, this funding would also be available for joint projects to connect schools, local libraries, and telehealth providers to high-speed fiber broadband.

- The cap on special education local plan area administrative costs included in the 2024 Budget Act was one-time and is not proposed to be extended into 2024-25.

- The budget proposes a decrease of $500 million in planned support for the School Facility Program, reducing the planned allocation in 2024-25 from $875 million to $375 million.

- The budget proposes to delay to 2025-26 the $550 million that was planned for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program in 2024-25.

- The balance of the Public School System Stabilization Account is projected to be $5.7 billion at the end of 2023-24, which will continue to trigger the cap on district reserves in 2024-25.

Although the Governor's Budget fully funds the estimated COLA and avoids cuts to ongoing education programs, LEAs should be aware of the estimated $37.9 billion state budget deficit for the 2024-25 fiscal year. In addition, the Proposition 98 minimum guarantee is lower than previously estimated by a combined $11 billion over 2022-23, 2023-24 and 2024-25, which the budget addresses through $8 billion in accounting shifts from 2022-23 to future fiscal years and $5.7 billion in Public School System Stabilization Account withdrawals for 2023-24 and 2024-25. Furthermore, the Legislative Analyst's Office's revenue projections are approximately $24 billion lower than the Governor's Budget. As a result, there is a risk of further state budget shortfalls that could result in cuts to education spending and/or withdrawals from the Public School System Stabilization Account.

Moreover, many LEAs continue to experience chronic student absences, long-term declining enrollment, and various cost pressures such as increased pension rates and energy costs. In addition, all remaining COVID-19 fiscal relief funding (e.g., Elementary and Secondary School Emergency Relief Fund and Expanded Learning Opportunities Grant) will expire on September 30, 2024. As a reminder, the Arts, Music and Instructional Materials Discretionary Block Grant and the Educator Effectiveness Block Grant expire on June 30, 2026, and the LREBG expires on June 30, 2028.

Local Control Funding Formula

The Governor's Budget includes a 0.76% COLA to the LCFF that, when combined with population growth adjustments, will result in a decrease of roughly $1.4 billion in discretionary funds for LEAs. At the time of the budget proposal, two data points needed to calculate the final statutory COLA for 2024-25 were still outstanding.

To fully fund the LCFF and maintain the level of current-year apportionments, the budget proposes withdrawing approximately $2.8 billion from the Public School System Stabilization Account for 2023-24 and another $2.2 billion for 2024-25. The budget also uses Proposition 98 reappropriation and reversion funding totaling $36.6 million for ongoing LCFF costs in 2024-25.

Declining enrollment protection for school districts will continue, allowing districts to use the greater of current year, prior year, or average of the three most recent prior years' average daily attendance (ADA). Charter schools will continue to be funded based on current year ADA. All LEAs should continue to develop multiple scenarios using all available options to ensure they are prepared for both best- and worst-case budgets and are better able to adapt to economic uncertainty.

Local Control and Accountability Plan

The 2023-24 State Budget called for multiple changes to the Local Control and Accountability Plan (LCAP) template and instructions. In November 2023, the SBE adopted the revised template. The current budget overview for parents, template, instructions, expenditure tables, and 2023-24 Annual Update template can be found here:

https://www.cde.ca.gov/re/lc/#stateboardtemplates.

The new LCAP requirements include the following:

- Board presentation of a midyear LCAP update annually no later than February 28.
- Completion of a standalone 2023-24 Annual Update as part of the transition to the new three-year LCAP cycle and template.
- Inclusion of an action or actions to address every instance of a red performance indicator on the California School Dashboard at the LEA and school level and for a student group at the LEA and school level.
- A requirement to change actions that have not proven effective over the prior three years.
- A requirement to tie any LEA-wide actions that contribute to increased and improved services to one or more specific metrics.
- Identifying long-term English learners as a distinct student group.
- Inclusion of one or more focus goals that address the needs of each school eligible for equity multiplier funding.
- For LEAs eligible for differentiated assistance (DA):
    - Inclusion in the LCAP summary of a description of the work underway related to DA.
    - Inclusion of one or more actions to implement the DA-related work.

Attendance Recovery and Instructional Continuity

The Governor's Budget proposes statutory changes to allow school districts and classroom-based charter schools to provide attendance recovery opportunities to classroom-based students to make up for lost instructional time. The intent behind the instructional continuity (IC) and attendance recovery proposals is to offset student absences and to mitigate student learning loss, chronic absenteeism and related fiscal impacts to districts and classroom-based charter schools. In addition, these same LEA types may provide an IC program to claim ADA for students whose regular classroom-based program is temporarily interrupted. Highlights of the proposals are as follows:

Attendance Recovery

- ADA recovery is capped at 15 days and may be claimed in 15-minute increments of instruction when a student is under the immediate supervision and control of a certificated employee and engaged in educational activities that are substantially equivalent in quality and content to what the student would receive in their regular classroom.
- ADA is credited to a student in full-day increments once the student has exceeded the minimum daily instructional minute requirement for their grade span.
- Attendance recovery may be offered before or after school, on weekends, or during

intersessional periods, and it must be credited to the school year in which the attendance recovery program is operated.

- Expanded Learning Opportunity Program funds may be used if a certificated staff member is providing instruction, and it is substantially equivalent in quality and content to the instruction that the pupil would otherwise receive as part of their regular classroom-based instructional program.
- Participation is not mandatory and shall be at the election of the student, parent, or guardian.

Instructional Continuity

- An instructional continuity program is capped at 15 days per school year unless it is medically necessary or a student is unable to attend due to an emergency situation or experiences significant personal difficulties that directly affect their ability to attend school (e.g., homelessness or family illness).
- Instructional content must be comparable to what a student would receive in their regular classroom-based instructional program.
- A signed parental agreement is required and can be initiated any time during the year.
- The instructional continuity proposal removes the distinction between short-term and long-term independent study by striking the references to independent study being offered for more than 14 days or less than 15 days, and it allows districts and classroom-based charter schools to deliver curriculum remotely.

Learning Recovery Emergency Block Grant

The Governor's Budget proposes new restrictions on unencumbered LREBG funds starting in 2024-25. Expenditures paid for with LREBG funds will need to be evidence-based as defined in federal law, and planned expenditures must be based on a formal needs assessment that identifies the students most in need of learning recovery and targets services toward those students.

The proposal further states that LREBG funds "not encumbered as of July 1, 2024, shall be included in the Local Control and Accountability Plan for the period of July 1, 2025, through June 30, 2028." The SBE will be required to update the LCAP instructions accordingly by January 31, 2025.

School districts that receive technical assistance and COEs that provide technical assistance are encouraged to use technical assistance to help the school district conduct the needs assessment and select actions funded by the LREBG.

Proposition 28 – The Arts and Music in Schools Funding Guarantee and Accountability Act

Voters passed Proposition 28 in November 2022. The amount of statewide funding is 1% of the kindergarten through grade 12 portion of the Proposition 98 guarantee from the prior year. This funding is distributed to LEAs based on prior-year student enrollment and prior-year enrollment of students eligible for free or reduced-price meals. Although funding is distributed to LEAs, the funds must be allocated to the eligible schools in the amounts calculated by the CDE. Preliminary allocations by school for 2023-24 can be found here: https://www.cde.ca.gov/fg/aa/pa/prop28ams.asp.

LEAs with enrollment of more than 500 pupils must spend at least 80% of the funds to employ certificated or classified employees to provide arts education instruction. The remaining funds may be used for supplies, curricula, professional learning, materials, and arts education partnership programs. No more than 1% of funds received may be used for an LEA's administrative expenses, including indirect costs, to implement this program. These funds must be used to supplement and not supplant current funding for these programs.

There are several reporting requirements as follows:

- School Site Expenditure Plan – Not required to be board-approved, posted on the LEA's website, or submitted to the CDE. No template has been provided for this plan.
- Annual Report – Must be board-approved, posted on the LEA's website, and provided to the CDE for posting on its website. The CDE is developing a standard reporting tool. The required information for this report includes:
  - The number of full-time equivalent teachers, classified personnel and aides funded by the program.
  - The number of pupils served.
  - The number of school sites providing programs.
- Annual Certification
  - LEAs must annually certify that all funds will be used to provide arts education programs, among other assurances.
- Three-Year Expenditure Report
  - By October 1, after each three-year expenditure period concludes, LEAs are required to report to the CDE the amount of unexpended funds. The CDE is developing a standard reporting tool.

The CDE has assigned resource code 6770 to the program. These funds are subject to the annual state compliance audit.

Planning Factors for 2023-24 and MYPs

Key planning factors for LEAs to include in their 2023-24 second interim reporting and multiyear projections are listed below and are based on the latest information available at the time of writing.

Planning Factor	2023-24	2024-25	2025-26
Cost of Living Adjustment (COLA)			
LCFF COLA	8.22%	0.76%	2.73%
Special Education COLA	8.22%	0.76%	2.73%
Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.68%	27.80%	28.50%
State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per ADA	$177	$177	$177
Proposition 20 per ADA	$72	$72	$72
Minimum Wage	$16.00[1]	$16.50[2]	$16.90[3]
Universal Transitional Kindergarten/ADA LCFF add-on for the 12-to-1 student-to-adult ratio[4]	$3,044.00	$3,067.00	$3,151.00
Mandated Block Grant			
Districts			
K-8 per ADA	$37.63[5]	$38.10[6]	$39.14[6,7]
9-12 per ADA	$72.49[5]	$73.39	$75.39[7]
Charters			
K-8 per ADA	$19.76[5]	$20.00[6]	$20.55[6,7]
9-12 per ADA	$54.91[5]	$55.59	$57.11[7]

1. Effective January 1, 2024.
2. Effective January 1, 2025.
3. Effective January 1, 2026.
4. This ratio will decrease to 10-to-1 in 2025-26.
5. These rates reflect a reduction of 0.47% because the appropriation for the program is insufficient to fully fund it.
6. The 2024-25 and 2025-26 rates do not include the $25 million proposed in the Governor's Budget for the cost of training to support mandated literacy screenings.
7. These rates are calculated based on preliminary COLA projections.

Reserves / Reserve Cap

The Governor's Budget has a revised balance for the Public School System Stabilization Account compared to that in the 2023 Budget Act. Originally estimated at $10.8 billion, the balance has been reduced to $3.9 billion at the end of 2024-25. Current law places a 10 percent cap on school district reserves in fiscal years immediately after those in which the balance in the Public School System Stabilization Account is equal to or greater than 3% percent of the total K-12 share of the Proposition 98 guarantee. A total revised account balance of $5.7 billion at the end of 2023-24 continues to trigger the school district reserve cap in 2024-25 for those districts subject to the cap. Additional information on the district reserve cap requirements can be found here: https://www.cde.ca.gov/fg/ac/co/distreservecapreqltr.asp.

Summary

This edition of the Common Message gives LEAs data and guidance for fiscal planning and for developing their 2023-24 second interim report and multiyear projection. The information provided for fiscal year 2023-24 and beyond includes the latest known proposals and projections to assist with multiyear planning. LEAs face near- and long-term challenges, including risks to the state revenue forecast, reduced ADA due to higher student absence rates, inflationary pressures including pension rate increases, expiring one-time funds, and declining enrollment. Because each LEA has unique funding and program needs, it remains essential that LEAs continually assess their individual situations, work closely with their COE, and plan accordingly to maintain fiscal solvency and educational program integrity.