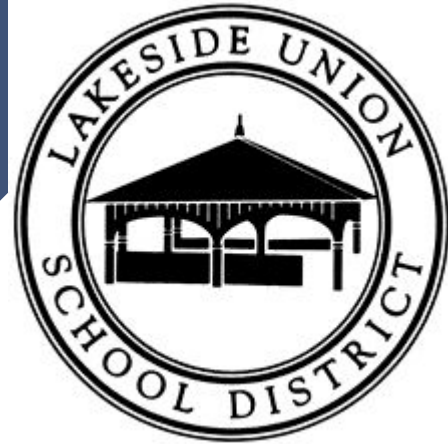


2023-24 Proposed Budget

June 15, 2023



“ *An investment in knowledge pays
the best interest*

Benjamin Franklin



PRESENTATION OVERVIEW

- ❑ State Economic Outlook
- ❑ May Revise Education Budget Update
- ❑ 2023-24 LUSD Proposed Budget
- ❑ Next Steps

1

STATE ECONOMIC OUTLOOK



State Economic Outlook

- Governor Newsom highlights the volatile nature of California state revenues due to its progressive tax system
 - ▶ Postponement of personal income tax (PIT) and corporation tax returns until October means an estimated \$42 billion are not due to come until fall
- State revenues have softened since the Governor's Budget proposal in January that has increased the state's budget deficit from \$22.5 billion to \$31.5 billion



State Economic Outlook

- Marked slowing in the number of initial public offerings (IPOs), which can affect the state economy and revenues
- 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 residents
- Two-year and ten-year treasury yields is one of the strongest predictors of an impending economic recession
 - ▶ When the yield curve inverts, there is a two-thirds chance of a recession within a year and a 98% chance within two years - *the curve has been inverted since the summer of 2022*



State Economic Outlook

- A new 20% decline in the S&P 500 has impacted high income earners, which the state relies on for over nearly half its total revenue
- Interest rate hikes, persistent inflation, bank failures, and the debt ceiling fight in Washington D.C. all have the potential to add risk to the May Revision projected revenue picture
- Revenue projections were already an issue in January, but are worse in May and relies heavily on the accuracy of the Governor's broader economic assumptions

2

May Revise

Education Budget Update



2023-24 LCFF Overview

Grade Span	TK	K-3	4-6	7-8	9-12
2022-23 Base Grant per ADA	\$9,166	\$9,166	\$9,304	\$9,580	\$11,102
8.22% COLA	\$753	\$753	\$765	\$787	\$913
2023-24 Base Grant per ADA	\$9,919	\$9,919	\$10,069	\$10,367	\$12,015
GSA (Grade Span Adjustment)	\$1,032	\$1,032			
TK Add-on (inclusive of COLA)	\$3,044				
2023-24 Adjusted Base Grant per ADA	\$13,995	\$10,961	\$10,069	\$10,367	\$12,327
20% Supplemental Grant per ADA ¹		\$2,190	\$2,014	\$2,073	\$2,465
65% Concentration Grant per ADA ²		\$7,118	\$6,545	\$6,739	\$8,013

¹Maximum amount per ADA-to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 20% and UPP

²Maximum amount per ADA-to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%



Governors May Revise Proposals

Ongoing Investments

- Statutory COLA 8.22%
 - ◆ LCFF
 - ◆ Categoricals
- Universal School Meals
- Home-to-School Transportation
- ELO-P

Proposed Reductions

- ❖ 2022-23 Learning Recovery Emergency Block Grant by 30%
- ❖ 2022-23 Arts, Music, Instructional Materials Discretionary Block Grant by 50%

Note: Both of these appropriations were part of the 2022-23 State Adopted Budget



Prop 28 - Arts & Music Program

Funded by 1% of Prop 98

Each year can fluctuate up or down as funds are dependent on Prop 98 revenues

Requirements:

Expenditure plan is required for each school site or preschool program

Submit and post an annual board-approved report detailing use of fund

Subject to annual audit beginning in 2023-24

LEAs must certify:

Supplement, not supplant existing funds

Be used for arts education, including a requirement to expend at least 80% of fund to employ staff for arts education instruction

Adhered to the 1% administrative expenses limit

*At this time CDE is not responding to clarification questions on use of funds
No audit guide has been provided*



Risks to Local Education Agency Budgets

Declining Enrollment

*ADA ratios significantly lower

Expiring one-time funds

Compensation cost pressures

*ADA - Average Daily Attendance

3

2023-24

LUSD Proposed Budget

General Fund Overview

2023-24 LUSD Revenue Assumptions

- ★ 8.22% Statutory COLA
 - 30% Reduction to Learning Recovery Block Grant
 - 50% Reduction to Arts, Music, Instruction Materials Discretionary Block Grant
- ★ Home-to-School Transportation add on
- ★ Prop 28
- ★ 2% property tax increase

2023-24 LUSD Expenditure Assumptions

- ★ Step and Column increase
 - 2% Certificated
 - 1.5% Classified
- ★ STRS
 - 19.1%
- ★ PERS
 - 26.68%
- ★ Operational increases 10%

2023-24 LUSD Other Assumptions

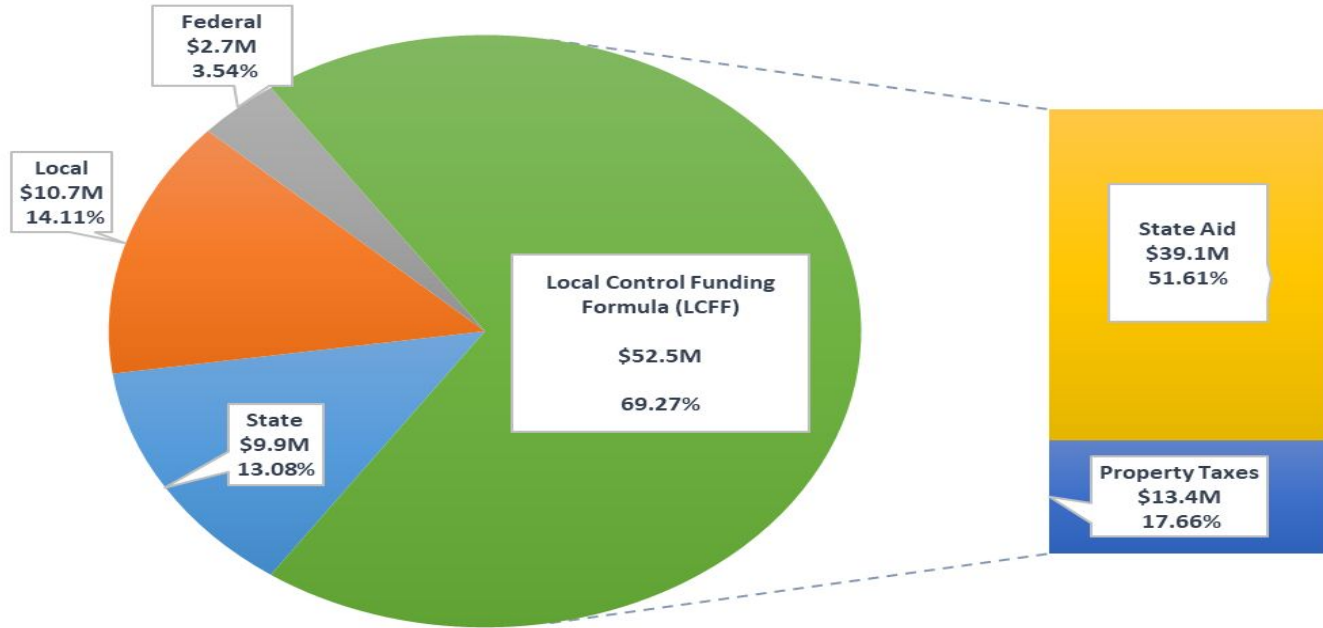
- ★ Students
 - 4487 Estimated Enrollment
 - 95% Average Daily Attendance (ADA)
- ★ Staffing
 - 279.71 FTE Certificated
 - 211.71 FTE Classified
 - 30 FTE Management/Confidential

General Fund Overview

2023-24 General Fund	Unrestricted	Restricted	Combined
Revenues	\$54,594,671	\$21,194,998	\$75,789,669
Expenditures	<u>45,741,668</u>	<u>33,530,979</u>	<u>79,272,647</u>
Surplus(Deficit)	8,853,003	(12,335,982)	(3,482,979)
Contributions/Transfers	(10,859,033)	10,359,033	(500,000)
Net +/- Fund Balance	(2,006,030)	(1,976,948)	(3,982,978)
July 1, Beginning Fund Balance	8,312,271	7,982,535	16,294,806
June 30, Ending Fund Balance	6,306,241	6,005,587	12,311,828
Unrestricted Fund Reserve %	13.64%		

2023-24 General Fund Revenues

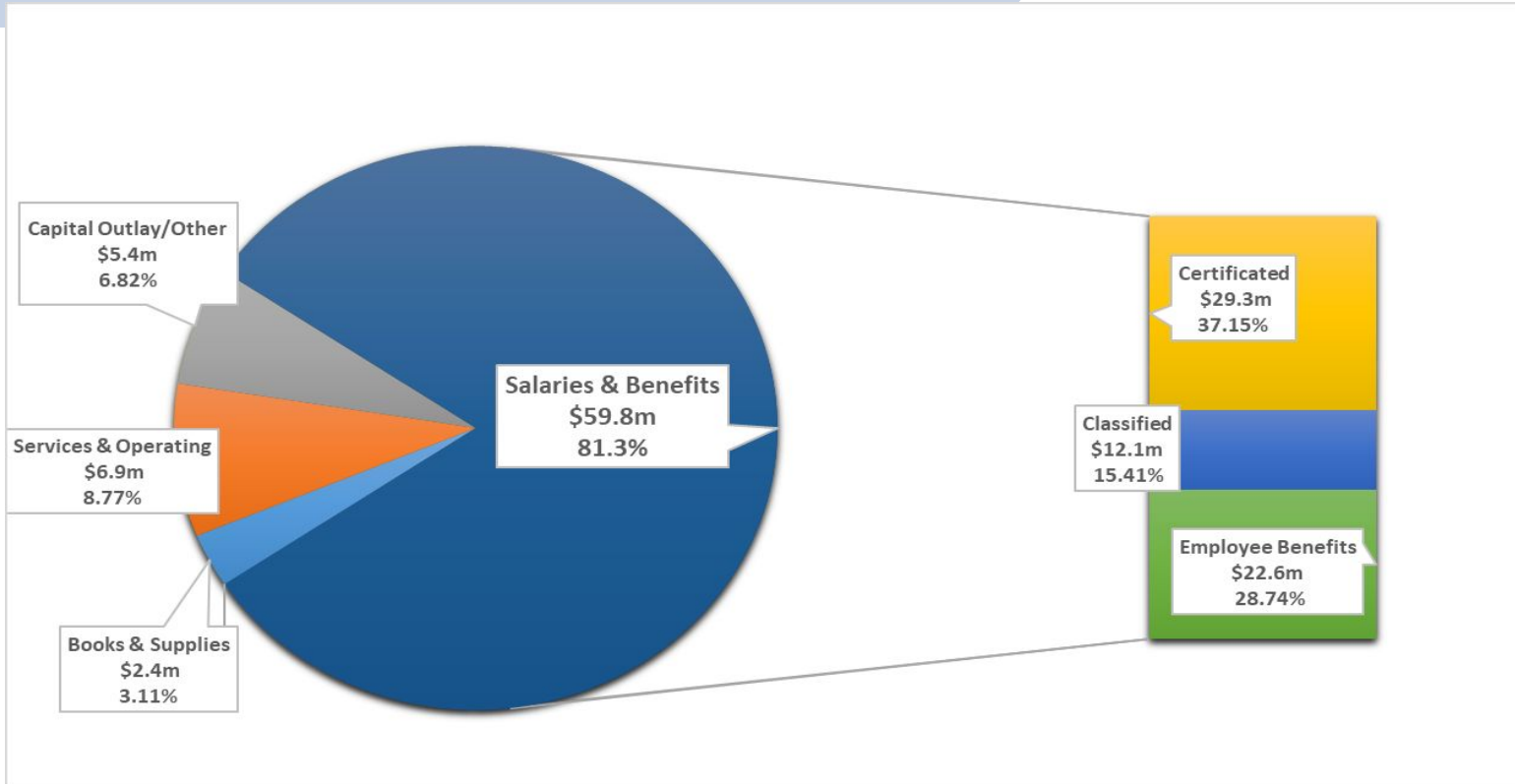
\$75,789,668



■ State ■ Local ■ Federal ■ Local Control Funding Formula ■ Property Taxes

2023-24 General Fund Expenditures

\$79,772,647



MULTI-YEAR GENERAL FUND PROJECTIONS

	2022-23	2023-24	2024-25	2025-26
General Fund 01	Estimated	Proposed	Projected	Projected
TOTAL REVENUES	\$79,657,146	\$75,789,668	\$69,832,834	\$71,926,176
TOTAL EXPENDITURES	<u>78,849,823</u>	<u>79,772,647</u>	<u>72,746,975</u>	<u>71,077,161</u>
INCREASE (DECREASE) IN FUND BALANCE	807,323	(3,982,979)	(2,914,141)	849,015
PROJECTED BEGINNING BALANCE	15,487,484	16,294,807	12,311,828	9,397,687
PROJECTED ENDING BALANCE	16,294,807	12,311,828	9,397,687	10,246,701
*Combined Funds Projected Reserve Percentage *Prior to Nonspendable, Committed, Assigned	20.67%	15.43%	12.92%	14.42%

4

Next Steps



LUSD 2023-24 BUDGET PROPOSAL PROCESS

June 15, 2023
Proposed Budget
and Public Hearing

June 22, 2023
Adopt Budget

45 Day Revision
(if needed once
State Adopts its
budget)

Prudent:

Acting with or showing care and thought for the future

The 2023-24 State Budget is being deemed the “riskiest budget in a decade”. Let’s not panic, but be prudent in our decision making.





BOARD MEMBER QUESTIONS OR COMMENTS