



2023-24 Proposed Budget

June 8, 2023

Agenda Item No. 10.2

Acronyms

ADA	Average Daily Attendance	LCAP	Local Control Accountability Plan
ADC	Actuarially Determined Contribution	LCFF	Local Control Funding Formula
AMIM	Arts Music Instructional Materials Block Grant (1x)	LREBG	Learning Recovery Emergency Block Grant (1x)
CBA	Collective Bargaining Agreement	MYP	Multi-Year Projections
COLA	Cost of Living Adjustment	OPEB	Other Post- Employment Benefits
CTEIG	Career Technical Education Incentive Grant (Ongoing)	P-2	Second Period Attendance Reporting Cycle
ELOG	Expanded Learning Opportunities Grant (1x)	PERS	California Public Employees' Retirement System
ELOP	Expanded Learning Opportunities Program (Ongoing)	S&C	Supplemental and Concentration (Ongoing)
EPA	Education Protection Account	SCOE	Sacramento County Office of Education
ESSER	Elementary and Secondary School Emergency Relief (1x)	STRS	California State Teachers Retirement System
GFOA	Government Finance Officers Association	SUI	State Unemployment Insurance
FCMAT	Fiscal Crisis and Management Assistance Team	TIIG	Targeted Instructional Improvement Grant LCFF Add-On (Ongoing)
HTS	Home-To -School Transportation LCFF Add-On (Ongoing)	UTK	Universal Transitional Kindergarten (Ongoing)
IB	International Baccalaureate Program	UPP	Unduplicated Pupil Percentage

*1x indicates a one-time funding source

Agenda

- **Financial Reporting Requirements**
- **May Revise & Estimated Actuals Highlights**
- **2023-24 Budget Assumptions**
- **Other Post-Employment Benefits**
- **2023-24 Proposed Budget and LCAP Summary**
- **Multi-Year Projections**
- **Risks, Opportunities & Summary**

California School District Financial Reporting Requirements

- District required to adopt budget prior to July 1 of each year
- Proposed budget an initial blueprint for revenues and expenditures
 - Based on Governor's May Budget Revise
 - State Enacted Budget may be different
- 2023-24 SCUSD budget will be presented for Adoption on June 22nd
- Material revisions presented within 45 days of State Enacted Budget as necessary



May Revise and 2022-23 Estimated Actuals Highlights



Governor's May Revise

- **2023-24 COLA of 8.22%, up from 8.13% at January Budget Proposal**
- **Arts, Music, and Instructional Materials Discretionary Block Grant**
 - May Revise proposes additional reduction from 34% to 51%
 - Original allocation of \$21M reduced to \$10.9M
- **Learning Recovery Emergency Block Grant**
 - Proposes new reduction of 32% which would result in \$17.7M decrease from \$55.4M to \$37.7M
- **Arts Music Education Funding – Prop 28**
 - Pending additional information on funding levels and key provisions; not included within 23-24 budget
- **Statutory Benefit Changes Include:**
 - CalPERS increase from 25.37% in 2022-23 to 26.68% in 2023-24
 - Unemployment Insurance decrease from .5% to .05%
- **Maintains funding for ELOP, UTK and transportation reimbursement**

2022-23 Estimated Actuals

- **Unrestricted Adjustments**

- Budgeted \$6.6M of total \$13M Social Science/World Language textbook adoption from the 2022-23 board commitments
- Additional changes include an increase in utilities costs
- Projected unrestricted surplus of \$31.8M and unrestricted ending fund balance of \$96.9M

- **Restricted Adjustments**

- Budgeted additional reduction to the 1x Arts Music Block Grant per the Governor's May Revise
- Projected restricted surplus of \$38M and restricted ending fund balance of \$82.8M

- **Actual fund balances will be updated during the 2022-23 Unaudited Actuals report in September**



2023-24 Budget Development Assumptions



Budget Development Assumptions

Budget Development process begins with enrollment projections

- Enrollment Projections used to determine staffing allocations
- Historical attendance yields applied to enrollment projections to determine projected Average Daily Attendance
 - For 2023-24: Enrollment of 36,506 x 92% ADA yield = 33,585 projected ADA
- Enrollment, Unduplicated Pupil Count, and ADA used to determine LCFF funding

Additional revenue and expenditure factors provided by the State and School Services of California

- COLA, pension rates, lottery, mandate block grant funding rates and more

Further adjustments made for local factors:

- Projected increases in step and column costs and health & welfare
- Projected increase in special education services and resulting contribution amount
- Site and department programmatic needs
- District initiatives and investments
- Expansion of UTK sites

Budget Development Assumptions - Enrollment

- **Projected enrollment of 36,506 for 2023-24**
 - Developed using historical trend analysis, cohort survival method, grade level progression and external factors including migration patterns, local demographics, charter schools, and housing growth
 - Serves as the baseline for developing staffing allocations for the budget year
- **Staffing Allocations Factors**
 - Adjustments made to meet CBA requirements and state compliance (UTK, Class Size Ratios)
 - Additional adjustments made to incorporate local factors such as:
 - A-G Requirements, pre-registration enrollment
 - Unique site programming and initiatives including dual immersion, small high schools, Waldorf, IB, K-8 schools, inclusive practices, and alternative HS & independent study programs
- **Continuous Monitoring**
 - Initial enrollment projections are a point in time; evolve and are adjusted as needed
 - Weekly cross departmental meetings to analyze enrollment projections vs actuals
 - Adjustments made to staffing as needed

2023-24 Budget Development Assumptions – State Factors

Planning Factors	2022-23	2023-24	2024-25	2025-26	Budget Impact
Department of Finance Statutory COLA	6.56%	8.13%	3.94%	3.29%	Revenue
Local Control Funding Formula (LCFF) COLA	6.56%	8.22%*	3.94%	3.29%	Revenue
Additional LCFF Investment	6.70%	N/A	N/A	N/A	Revenue
Average Funding Per ADA	\$12,851	\$13,884	\$14,510	\$14,986	Revenue
STRS Employer Rates	19.10%	19.10%	19.10%	19.10%	Expense
PERS Employer Rates	25.37%	26.68%	27.70%	28.30%	Expense
SUI Employer Rates	0.50%	0.050%	0.050%	.050%	Expense
Lottery – Unrestricted per ADA	\$170	\$170	\$170	\$170	Revenue
Lottery – Prop. 20 per ADA	\$67	\$67	\$67	\$67	Revenue
Universal Transitional Kindergarten/ADA	\$2,813	\$3,044	\$3,164	\$3,268	Revenue
Mandate Block Grant for Districts: K-8 per ADA	\$34.94	\$37.81	\$39.30	\$40.59	Revenue
Mandate Block Grant for Districts: 9-12 per ADA	\$67.31	\$72.84	\$75.71	\$78.20	Revenue

*per the Governor’s May Revise for the 2023-24 budget, final COLA will be provided in enacted budget for 2023-24

2023-24 Proposed Budget - Education Protection Account

- **Education Protection Account (EPA)**
 - Proposition 30 temporary tax increase (11/6/2012)
 - Sales tax increase for 2013-2016
 - Personal income tax increase for 2012-2018
 - Proposition 55 (11/8/2016) extends personal income tax increase through 2030
 - Tax revenues received are placed into the Education Protection Account
 - Proposition 30 and Proposition 55 include several accountability measures:
 - Governing board at a public meeting approves a spending plan
 - Funds cannot be used on administrative costs
 - Website publishing required (EPA funds received & expended)
 - Annual financial audit
- **2023-24 Projected EPA Revenue - \$115,844,768**
 - All funds are budgeted for teacher salaries and benefits
 - These funds are part of the LCFF State Aid calculation, not in addition



Other Post-Employment Benefits (OPEB) Summary



Other Post-Employment Benefits (OPEB)

What is OPEB?

- Other post-employment benefits, other than pensions, that employees may receive from their employer once they retire
- The District provides continuation health benefits to its eligible retiring employees under a benefit OPEB plan

Importance of Pre-funding OPEB

- 2019 California State Audit, 2019 FCMAT reports stated the District should address the unfunded OPEB liability and recommend the District to develop a long-term funding plan to meet its obligations to its employees and retirees
- SCOE also advised the District to develop a plan to address the increasing OPEB liability
- The OPEB funding plan is to fund the Actuarially Determined Contribution (ADC) each year
- The District should continue to contribute towards paying down the OPEB liability
- Prevents unfunded liabilities from rapidly increasing
- Fiscally prudent measure that is considered a “best practice”

District's OPEB Liability Over The Years

The District's OPEB liability decreased from \$780M in 2018 to \$442M as of June 30, 2022, resulting in an overall decrease of 43% over the last five fiscal years

Other Post Employment Benefit Liability Year Over Year Comparison					
Description	Year Ending June 30, 2022	Year Ending June 30, 2021	Year Ending June 30, 2020	Year Ending June 30, 2019	Year Ending June 30, 2018
Total OPEB Liability	442,140,012	415,066,116	654,240,872	598,953,650	780,518,410
Change in Percentage	7%	-37%	9%	-23%	

OPEB Annual Payment Components

- **OPEB Annual payment includes the following components:**
 - Employee Contributions – **Average 2%, \$685K**
 - Additional District Contributions* – **Average 31%, \$9.1M**
 - Premiums paid by District (Implicit Contributions) – for active employees to cover a portion of retiree claims – **Average 11%, \$3M**
 - Direct retiree payments (Pay-As-You-Go) – Made at the time the benefits are due **Average 56%, \$16.6M**
- **Total 5-Year Average District Contributions - \$29.6M**

*includes the opt-out balance an average of \$649K listed separately



2023-24 Budget and LCAP Summary



2023-24 Revenue Projections

LCFF Projected Funding Factors:

Projected enrollment of 36,506, ADA of 33,585, Funded ADA of 35,929 & UPP of 69.82%

LCFF Funding Components	Amount
Base Grant	383,413,441
Grade Span Adjustment	14,670,478
Supplemental/Concentration	93,935,863
Add On Funding (HTS, TK, TIIG)	8,326,982
Total	500,346,764

Total Projected Revenues:

Description	Unrestricted	Restricted	Combined
LCFF Revenue	500,346,764	2,478,216	502,824,980
Federal Revenue	0	99,571,861	99,571,861
State Revenue	11,901,384	99,923,160	111,824,544
Local Revenue	4,151,175	2,032,950	6,184,125
Total	516,399,323	204,006,186	720,405,510

2023-24 Expenditure Projections

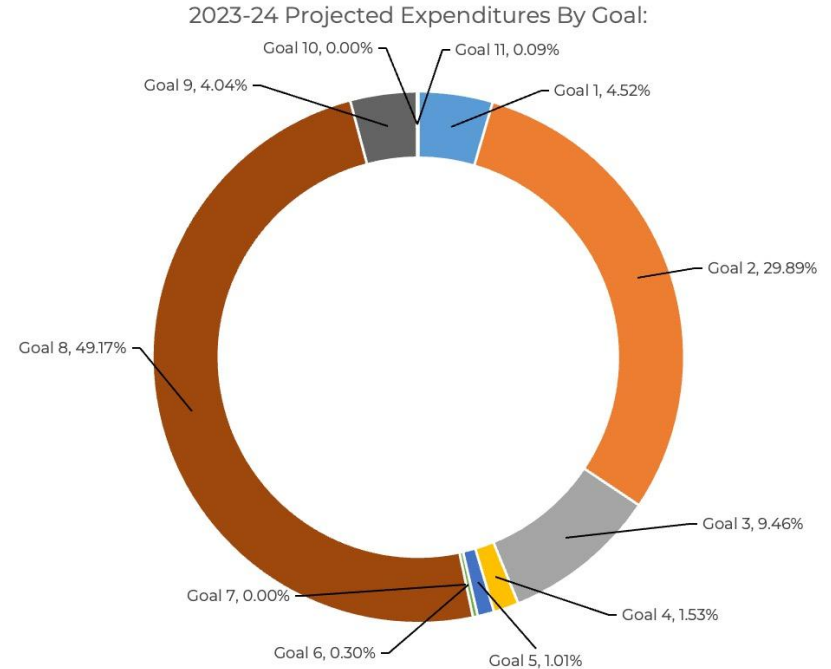
DESCRIPTION	UNRESTRICTED	RESTRICTED	COMBINED
Certificated Salaries	178,470,006	70,896,488	\$249,366,493
Classified Salaries	42,511,513	34,523,944	\$77,035,457
Benefits	130,846,426	89,940,805	\$220,787,232
Books and Supplies	13,219,896	25,517,093	\$38,736,989
Other Services & Oper.	27,570,886	84,288,412	\$111,859,298
Capital Outlay	49,259	896,918	\$946,177
Other Outgo/Transfer	1,510,300	0	\$1,510,300
Transfers Out	(2,475,399)	0	(2,475,399)
Total	391,702,887	306,063,659	\$697,766,546

Projections serve as the initial blueprint for expenditures

- Will be adjusted throughout the budget year as state assumptions, district initiatives, and programmatic needs evolve
- Includes projected contributions of \$86.4M to Special Education and \$18.5M to Routine Restricted Maintenance Account
- Projections include the expenditures necessary to implement the LCAP

2023-24 LCAP Goals

Goal	Description
1	College and Career Readiness
2	Foundational Educational Excellence with Equitable Opportunities for ALL Students
3	Integrated Supports
4	Culture and Climate
5	Engagement/Empowerment
6	Implementation of MTSS/DBDM
7	Update District Graduate Profile
8	Basic Services and Districtwide Operations/Supports
9	Focus on Students with Disabilities
10	Focus on Homeless Youth
11	Focus on Foster Youth



2023-24 Goal 1 Highlight

Goal	Description	Projected Expenditure
1.1	Expand Career and Technical Education Pathways and Programs	5,995,738
1.2	Provide Academic And Career Counseling (Base)	3,726,047
1.3	Academic and Career Counseling (Supplemental)	3,495,924
1.4	Central Support for Aligned Master Scheduling	388,695
1.5	Accelerate Progress Toward Graduation Through Credit Recovery	2,914,356
1.6	Eliminate Financial Barrier for Exam Participation	499,165
1.7	Provide Additional Support for IB Program	1,659,076
1.8	Site-determined, SPSA-based Actions to Support Goal 1	645,006
1.9	Department-level Data-based Decision-making	381,465
1.10	Transition Planning for Students with Disabilities	10,000
1.11	Post-secondary Tracking of Students with Disabilities	-
1.12	Establish College and Career Readiness Labs at Middle Schools	7,536
1.13	Implement State Seal of Civic Engagement Program	-
	Total Goal 1:	19,723,008

2023-24 Proposed Budget Summary

Description	Unrestricted	Restricted	Total
Total Revenues	516,399,323	204,006,186	720,405,510
Total Expenditures	386,283,967	312,680,208	698,964,175
Excess/(Deficiency)	130,115,356	(108,674,022)	21,441,334
Other Sources/Uses	(102,450,144)	104,925,543	2,475,399
Net Increase/(Decrease)	27,665,212	(3,748,479)	23,916,733
Beginning Fund Balance	96,877,839	82,851,542	179,729,381
Ending Fund Balance	124,543,051	79,103,063	203,646,114

Components of Ending Fund Balance

Description	Unrestricted	Restricted	Combined
Nonspendable	\$325,000	\$0	\$325,000
Restricted Categorical Balances		\$79,103,063	\$79,103,063
Committed			
Unsettled Labor Negotiations	\$41,130,324		\$41,130,324
Assigned			
Supplemental / Concentration Funds	\$2,260,058		\$2,260,058
Reserve for Economic Uncertainty (REU-2%)	\$13,929,776		\$13,929,776
Unassigned/Unappropriated	\$66,897,893		\$66,897,893
Total Fund Balance	\$124,543,051	\$79,103,063	\$203,646,114

Due to funding at State level, reserve cap is still in place for the 2023-24 year

- Proposed budget includes a \$41M commitment for unsettled labor negotiations and will satisfy the reserve cap requirement
- Amount is reflective of estimated cost of latest proposed salary increase of 6%, increased sub rate & \$1M for class size adjustments
- Commitment resolution to be brought forth on June 22 board meeting



2023-24 Proposed Budget Multi-Year Projections



Multi-Year Projection Revenue Assumptions

2024-25 & 2025-26 Unrestricted Revenue Assumptions

- Enrollment decline factor of 0.5% and ADA yield of 92% in each year
 - Enrollment of 36,320 for 2024-25 and 36,135 for 2025-26
 - Decline in enrollment represents an estimated \$2.7M decrease in 24-25 and \$2.8M in 25-26
- LCFF COLA: 2024-25 COLA of 3.94%, and 2025-26 COLA of 3.29%
- Funded ADA of 34,423 in 24-25 and 33,576 in 25-26
- Federal, state and local revenues projected with no change in award allocations.
- Contributions to Special Education were increased by \$6.6M and \$8.4M, respectively, per historical trends and programmatic adjustments

2024-25 & 2025-26 Restricted Revenue Assumptions

- Federal Revenue was reduced by \$60.5M to remove 1x ESSER funds in 2024-25
- State Revenue net reduction of \$725K to remove carryover ELOG funds

Multi-Year Projection Expenditure Assumptions

2024-25 & 2025-26 Unrestricted & Restricted Expenditure Assumptions

- Step & Column increases of 1.4% for certificated and .7% for classified
- Adjustments made for STRS, PERS and unemployment insurance rates
- Decrease of 6 FTE each year to align with enrollment decline
- Health and Welfare projected increases of 8.8% each year
- Textbook adoption budgeted in 24-25 removed in 25-26
- ESSER III and ELOG funds projected to be fully spent in 23-24 year
 - Positions funded with ESSER and ELOG budgeted to shift to the 1x Learning Recovery and Arts Music Block Grants in 2024-25
 - Arts Music 1x Grant fully expended in 2024-25 resulting in approximately \$10.5M reduction in ESSER positions in 2025-26
- Projected increases in Special Education contribution related to additional services, compensatory ed, and increases in materials/contracted services

Multi-Year Projections Summary - Unrestricted

Description	2023-24 Proposed	Projected 2024-25	Projected 2025-26
Total Revenues	516,399,323	517,105,023	520,839,994
Total Expenditures	386,283,967	396,319,029	400,429,446
Other Sources/Uses	(102,450,144)	(110,406,284)	(118,831,835)
Net Increase/(Decrease)	27,665,212	10,379,710	1,578,713
Add: Beginning Fund Balance	96,877,839	124,543,051	134,922,761
Ending Fund Balance	124,543,051	134,922,761	136,501,474
Components of Ending Fund Balance	57,645,158	79,774,477	102,150,573
<i>Unassigned/Unappropriated</i>	66,897,893	55,148,284	34,350,902

Multi-Year Projections Summary - Combined

Description	2023-24 Proposed	Projected 2024-25	Projected 2025-26
Total Revenues	720,405,510	659,904,000	663,638,971
Total Expenditures	698,964,175	687,874,757	689,124,126
Excess/(Deficiency)	21,441,334	(27,970,757)	(25,485,156)
Other Sources/Uses	2,475,399	2,475,399	2,475,399
Net Increase/(Decrease)	23,916,733	(25,495,358)	(23,009,757)
Add: Beginning Fund Balance	179,729,381	203,646,114	178,150,756
Ending Fund Balance	203,646,114	178,150,756	155,140,999
Components of Ending Fund Balance	136,748,221	123,002,472	120,790,098
<i>Unassigned/Unappropriated</i>	66,897,893	55,148,284	34,350,902

Net decrease in 2024-25 and 2025-26 primarily related to spending down accrued 1x grant sources such as the Learning Recovery Emergency Block Grant, Arts Music Grant, and Educator Effectiveness funds



Summary



Risks and Opportunities

Risks

- Uncertainty regarding ongoing State funding for K12 Districts
- Potential future impact of recessionary economy (big unknown Taxes deferred to October '23)
- Enrollment and ADA
- Expiring ESSER III funded positions

Opportunities

- Improved State budget and funding for K12 Districts
- Stable/increased Enrollment and ADA
- Potential to make up instructional days lost during 2021-22 school year through state waiver process

Summary

- The District is projected to satisfy the 2% reserve for economic uncertainties and maintain a positive cash flow in 2023-24, 2024-25 and 2025-26
- The District projects an unrestricted increase of \$27.7M in 2023-24, \$10.4M in 2024-25 and \$1.6M in 2025-26.
- Budget will be brought back for approval on June 22nd board meeting for budget adoption



Conduct Public Hearing

