



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 9.4

Meeting Date: February 2, 2023

Subject: 2023-24 Governor's Budget Proposal Update

- Information Item Only
- Approval on Consent
- Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action Public Hearing

Division: Business Services

Recommendation: Receive the budget update.

Background/Rationale: On January 10, 2023, Governor Newsom released the 2023-2024 State Proposed Budget including the proposals for TK-12 Education. Of the proposals for TK-12 Education, a few items may have a significant impact on the District's multi-year budget projections: an increase in COLA, add-on funding (Equity Multiplier) to the Local Control Funding Formula, Proposition 28 funding, and a reduction in the current year Arts, Music, and Instructional Materials Discretionary Block Grant.

Financial Considerations: Identify projected impact to District revenues based on 2023-24 Governor's January Budget Proposal.

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached:

1. Executive Summary

Estimated Time of Presentation: 20 Minutes

Submitted by: Rose Ramos, Chief Business Officer

Approved by: Jorge A. Aguilar, Superintendent



Board of Education Executive Summary

Business Services

2023-24 Governor's January Budget Proposal Update

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I. OVERVIEW/HISTORY:

The District approved the 2022-23 First Interim Financial Report at the December 15, 2022 Board Meeting. The 2022-23 First Interim information presented to the Board is based on the 2022-23 Enacted State Budget.

On January 10, 2023, Governor Newsom released the 2023-24 State Proposed Budget including the proposals for TK-12 Education. Of the proposals for TK-12 Education, a few items may have a significant impact on the District's multi-year budget projections including an increase in the COLA, add-on funding to the Local Control Funding Formula, funding for TK expansion, Proposition 28 funding, and a reduction in the current year Arts, Music, and Instructional Materials Discretionary Block Grant.

II. Driving Governance:

Education Code Section 42130 requires school districts to prepare interim financial reports each fiscal year. The requirement includes filing two interim financial reports. The First Interim Report, as of October 31st, requires Board approval by December 15th. The Second Interim Report, as of January 31st, requires Board approval by March 15th. If the District is in qualified or negative status, a third financial report is required as of April 30, and requires Board approval by June 1st. All reports required shall be in a format or on forms prescribed by the Superintendent of Public Instruction.

Education Code section 42131 requires the Board of Education to certify, in writing, whether the district is able to meet its financial obligations for the remainder of the fiscal year and, based on current projections, for the subsequent two fiscal years. Certifications shall be based on the Board's assessment of the district budget. The certifications provided with the first and second interim reports are classified as positive, qualified, or negative. A "positive" certification indicates that the district will meet its financial obligations for the current fiscal year as well as the two subsequent fiscal years. A "qualified" certification means that the district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A "negative" certification means that the district is unable to meet its financial obligations for the remainder of the current fiscal year or the future fiscal year. This education code section also outlines the role of the County Office of Education.

The SCUSD Board of Trustees has revised Board Policy 3100 to establish and maintain a general reserve for economic uncertainty that meets or exceeds the requirements of CCR 15443. The reserve for economic uncertainty for the District will be established at no less than 5% of total general fund expenditures. Under BP 3100 it is acknowledged that one-time funding should be used for one-time expenditures and shall only be used for an on-going expenditures as a last resort. As part of the approval of the annual budget, the Board shall consider any proposed use of one-time funding and shall take separate action to approve such uses.

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III. Budget:

The following key items are included in the 2023-24 Governor's January Budget Proposal for TK-12 Education Budget.

COLA

The following table provides a comparison between what the District was projecting for COLA as of the 2022-23 First Interim report and the 2023-24 Governor's proposed COLAs.

COLA	22-23*	23-24	24-25	25-26
2023-24 Governor's Proposal	6.56%	8.13%	3.54%	3.31%
2022-23 First Interim	6.56%	5.38%	4.02%	3.72%
Difference	0.00%	2.75%	-0.48%	-0.41%

*22-23 COLA included additional 6.70% LCFF Investment in base

LCFF Total Projected Changes	2022-23	2023-24	2024-25
2023-24 Governor's Proposal	482,045,473	503,692,978	506,503,459
2022-23 First Interim	482,045,473	490,943,364	495,946,809
Difference	0	12,749,614	10,556,650
LCFF Base	2022-23	2023-24	2024-25
2023-24 Governor's Proposal	389,713,888	408,737,781	409,551,603
2022-23 First Interim	389,713,888	398,403,344	401,025,405
Difference	0	10,334,437	8,526,198
Supplemental & Concentration	2022-23	2023-24	2024-25
2023-24 Governor's Proposal	92,331,585	94,955,197	96,951,856
2022-23 First Interim	92,331,585	92,540,020	94,921,404
Difference	-	2,415,177	2,030,452

Ongoing Funds – Equity Multiplier (add-on to LCFF)

The Governor proposes to allocate \$300 million to establish an Equity Multiplier add-on to the Local Control Funding Formula. These funds are intended to provide districts with resources to address the needs of students in the lowest performing student groups. The proposed eligibility will be determined by school site with certain percentage thresholds of students that receive free meals. The allocation formula for the Equity Multiplier has not yet been determined.

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Arts, Music and Instructional Materials Discretionary Block Grant Proposed Funding Decrease

Another significant budget proposal is a \$1.2 billion reduction in the \$3.5 billion one-time funding provided in the 2022-23 enacted budget reducing the appropriation down to \$2.3 billion. Assuming a comparable reduction of about 1/3, the proposed impact to the District would be a reduction in the grant from approximately \$22 million to \$14 million. The District's intention is to utilize this award to extend funding for various services and programs that are currently funded with one-time sources. A plan for use of these funds will be presented at future board meetings.

Proposition 28 Arts and Music in Schools

In the November 2022 elections voters approved Proposition 28 to providing funding for arts education. The Governor's proposed budget projects funding at approximately \$1 billion. Funds will be allocated to schools based on the following:

- 70% for enrollment, about \$113.45 per student and
- 30% for students that qualify for free and reduced meals, about \$84.15 per student

For the District, the new arts education funding represents an increase of about \$6.3 million in restricted funds. These funds will be subject to specific spending and reporting requirements.

Impact to the District's Projected Deficits as of 2022-23 First Interim Report

The tables below illustrate the potential impact to the multi-year projections (total General Fund) with the proposed COLA increase for 2023-2024.

2022-23 First Interim MYP (Total GF)			
Description	2022-23	Projected 2023-24	Projected 2024-25
Total Revenues	857,287,496	704,070,539	665,821,004
Total Expenditures	778,730,007	685,528,404	697,325,357
Net Increase/(Decrease)	79,783,012	19,767,659	(30,278,828)
Add: Beginning Fund Balance	109,852,797	189,635,809	209,403,468
Ending Fund Balance	189,635,809	209,403,468	179,124,640
<i>Components of Ending Fund Balance</i>	<i>153,339,628</i>	<i>147,985,104</i>	<i>110,451,136</i>
Unassigned/Unappropriated	36,296,181	61,418,364	68,673,504



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2022-23 First Interim MYP (Total GF) with 23-24 Governor's Budget Proposal*			
Description	2022-23	Projected 2023-24	Projected 2024-25
Total Revenues	849,888,253	723,120,153	682,677,654
Total Expenditures	778,730,007	694,243,581	705,655,809
Net Increase/(Decrease)	72,383,770	30,102,096	(21,752,630)
Add: Beginning Fund Balance	109,852,797	182,236,567	212,338,663
Ending Fund Balance	182,236,567	212,338,663	190,586,033
<i>Components of Ending Fund Balance</i>	<i>145,940,386</i>	<i>140,760,166</i>	<i>103,218,502</i>
Unassigned/Unappropriated	36,296,181	71,578,497	87,367,530

**Above table includes LCFF adjustments for change in COLA in 2023-24 and 2024-25, \$6.3M estimated Prop 28 Arts Music funding, a reduction of \$7.3M in one-time Arts Music Grant funding, and additional expenditures for increased supplemental and concentration grant funds.*

Other TK-12 Spending Proposals

- \$600 million (Prop 98 “rebenched”) for transitional kindergarten expansion
- \$669 million for 8.13% COLA for certain categorical programs
- \$269 million for California State Preschool programs
- \$250 million (one-time) for Literacy programs
- \$1 million for Literacy Roadmap
- \$100 million (one-time) to Prop 98 for Cultural Enrichment Experiences for High School Seniors
- \$3.9 million for the California College Guidance Initiative
- \$3.8 million increase to support the K-12 High Speed Network Program
- \$2.5 million for all middle and high school sites to maintain two doses of naloxone hydrochloride to reverse opioid overdose on campus for emergency aid
- \$2 billion (GF one-time) to support the School Facilities Program
- \$15 million (one-time) to support kitchen infrastructure related investments specifically for acquisition and installation of a commercial dishwasher

IV. Goals, Objectives and Measures:

Continue to provide information to the Board and the public including required reporting periods such as First, Second and Third Interim reports. Follow the timeline, identify all budget cuts and savings, and take action to implement such savings as required by law, District policy, and applicable bargaining agreements.

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V. Major Initiatives:

- Analyze information from the State and its impact on District finances.
- Continue to work with the Fiscal Advisor and staff to implement FCMAT's recommendations.

VI. Results:

Budget development for 2023-24 will follow the calendar and timeline approved by the Board. Required Board actions will take place in a timely manner to ensure a balanced Adopted Budget is in place on or before July 1, 2023.

VII. Lessons Learned/Next Steps:

- Continue to monitor the State budget and its impact on District finances.
- Continue to obtain stakeholders' input, follow the LCAP process and meet with bargaining units to seek cost reductions and long-term budget savings.
- The District's 2022-23 Second Interim Financial Report will include additional information and new updates.
- In May 2023, the Governor will release (May Revise) updated projections for the 2023- 24 State Budget. The May Revise will inform the District's 2023-24 budget development and multi-year projections. However, between May Revise and the State Adoption, the State Budget may undergo further revisions that may influence TK-12 funding. Therefore, the District's budget may be revised to reflect any applicable changes included in the State Adopted budget.