



# Governor's 2023-24 Budget Proposal

Board Meeting  
February 2, 2023  
Agenda Item No. 9.4

**Presented by:**  
Business Services and School Services of California

# Governor's 2023-24 Budget Proposals and Impact on SCUSD's Budget

## SCUSD CORE VALUE

We recognize that our system is inequitable by design and we vigilantly work to confront and interrupt inequities that exist to level the playing field and provide opportunities for everyone to learn, grow and reach their greatness.

## SCUSD GUIDING PRINCIPLE

All students are given an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options

# Acronyms

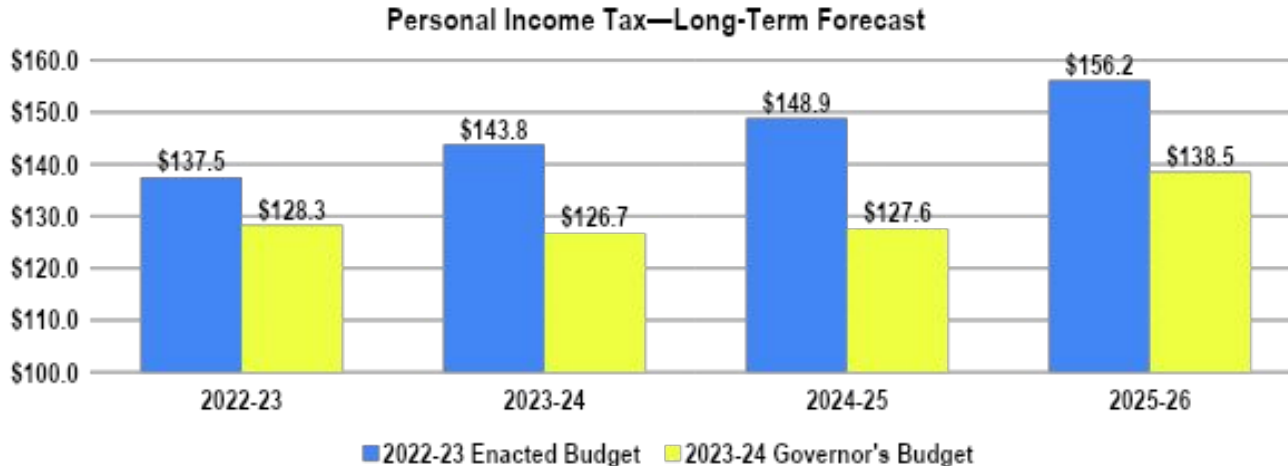
<b>COLA</b>	Cost of Living Adjustment	<b>LCFF</b>	Local Control Funding Formula
<b>CPI</b>	Consumer Price Index	<b>MYP</b>	Multi-Year Projections
<b>DOF</b>	Department of Finance	<b>PERS</b>	California Public Employees' Retirement System
<b>FY</b>	Fiscal Year	<b>PERS</b>	California Public Employees' Retirement System
<b>GF</b>	General Fund	<b>S&amp;C</b>	Supplemental and Concentration (Ongoing)
<b>LEAs</b>	Local Education Agencies		

# Agenda

- **Governor's 2023-24 Budget Proposals**
  - School Services of California, Leilani Aguinaldo, Director of Governmental Relations
- **Impact on District's Multi-Year Projections Budget**
- **Next Steps**

# Impacts to the 2023-24 State Budget

- Persistent inflation, rising interest rates, lingering supply chain issues and the struggling stock market continue to stifle growth both nationally and for the state of California
- The Governor's Budget forecasts General Fund revenues that are \$29.5 billion lower than at the 2022-23 Enacted Budget
- The Governor's revenue forecast assumes slower economic growth, but not a recession, which comes with elevated risks

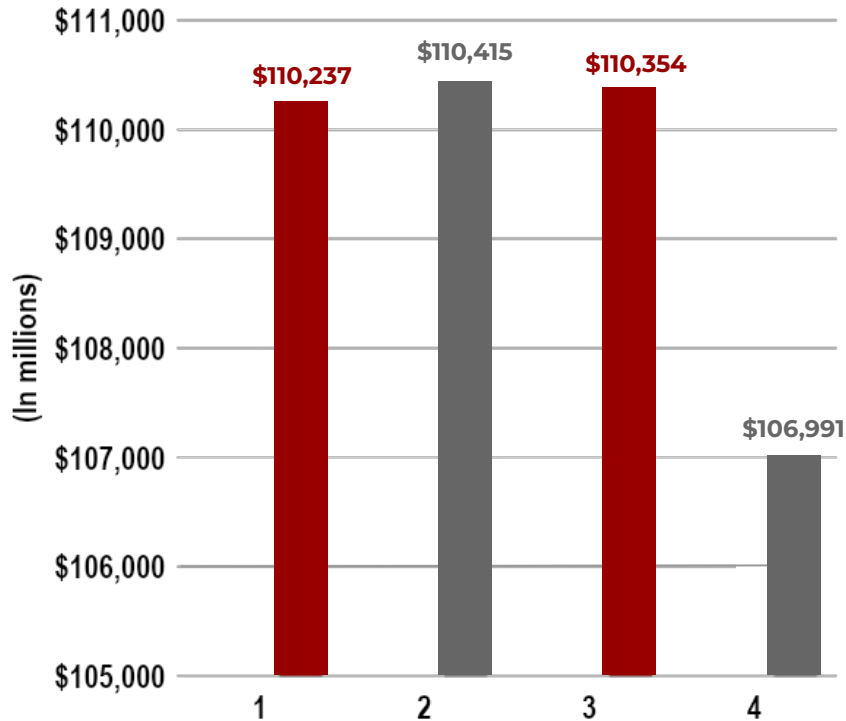


# Risks to the Budget

- California's progressive tax system is extremely volatile
- The Governor's Budget forecast assumes slower economic growth but does not assume a recession
- Geopolitical turmoil
- COVID-19 in the U.S. and abroad
- Inflation and Federal Reserve policy
- Further decline of the stock market
- Further declines in home prices
- Recession?

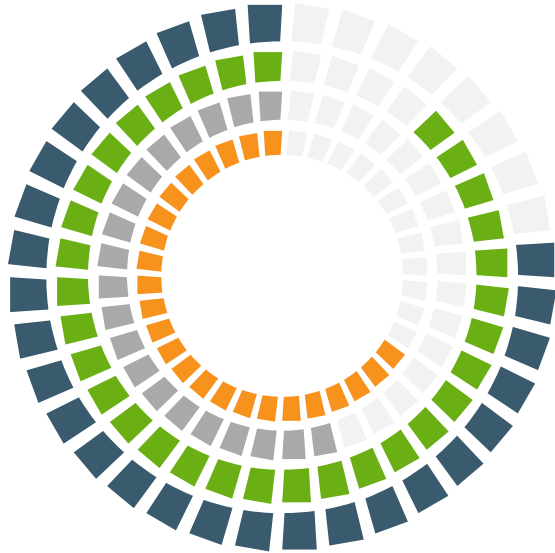


# Proposition 98 Adjustments



- Recall that the Governor's Budget includes a three-year period
- Each year, the Proposition 98 minimum guarantee for the two prior fiscal years is revised to reflect updated state revenues
- The Governor's Budget:
  - Increases funding in 2021-22 by approximately \$200 million
  - Reduces funding in 2022-23 by approximately \$3.4 billion
- **Funding in 2023-24 is estimated to be \$108.8 billion**
- Governor's Budget projects balance of \$8.5 billion in the Proposition 98 reserve in 2023-24

# 2023-24 LCFF Overview



8.13%

Statutory COLA<sup>1</sup>

\$4.7 billion

New

Equity Multiplier

\$300 million

In conjunction with accountability improvements, intended to augment resources to support highest-needs schools

8.13%

Billion

Total 2023-24 LCFF<sup>2</sup> funding increase, **utilizing \$1.4 billion in one-time funding**

\$\$

Categorical Programs

COLA also applied to other educational programs funded outside of the LCFF

<sup>1</sup>Cost-of-living adjustment (COLA)  
<sup>2</sup>Local Control Funding Formula (LCFF)



# SSC Financial Projection Dartboard

Planning Factors					
	2022-23	2023-24	2024-25	2025-26	2026-27
<b>DOF<sup>1</sup> Planning COLA</b>	<b>6.56%</b>	<b>8.13%</b>	<b>3.54%</b>	<b>3.31%</b>	<b>3.23%</b>
<b>California CPI<sup>2</sup></b>	<b>6.00%</b>	<b>3.44%</b>	<b>2.77%</b>	<b>2.49%</b>	<b>2.74%</b>
<b>Unemployment Insurance</b>	<b>0.50%</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.20%</b>
<b>CalSTRS Employer Rate<sup>3</sup></b>	<b>19.10%</b>	<b>19.10%</b>	<b>19.10%</b>	<b>19.10%</b>	<b>19.10%</b>
<b>CalPERS Employer Rate<sup>3</sup></b>	<b>25.37%</b>	<b>27.00%</b>	<b>28.10%</b>	<b>28.80%</b>	<b>29.20%</b>

<sup>1</sup>Department of Finance (DOF)

<sup>2</sup>Consumer Price Index (CPI)

<sup>3</sup>California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) rates are subject to change based on determination by the respective governing boards.

# CalPERS Employer Contribution Rates

- Governor Newsom did not propose providing CalPERS relief for LEAs
- Based on the latest information from CalPERS, the employer contribution rate for 2023-24 would increase from the current rate of 25.37% to 27.00%

Year	Prior Projections per SSC Dartboard	Projected Rates per Most Recent CalPERS Actuarial Report <sup>1</sup>
<b>2022-23</b>	<b>25.37%</b>	<b>25.37%</b>
<b>2023-24</b>	<b>25.20%</b>	<b>27.00%</b>
<b>2024-25</b>	<b>24.60%</b>	<b>28.10%</b>
<b>2025-26</b>	<b>23.70%</b>	<b>28.80%</b>

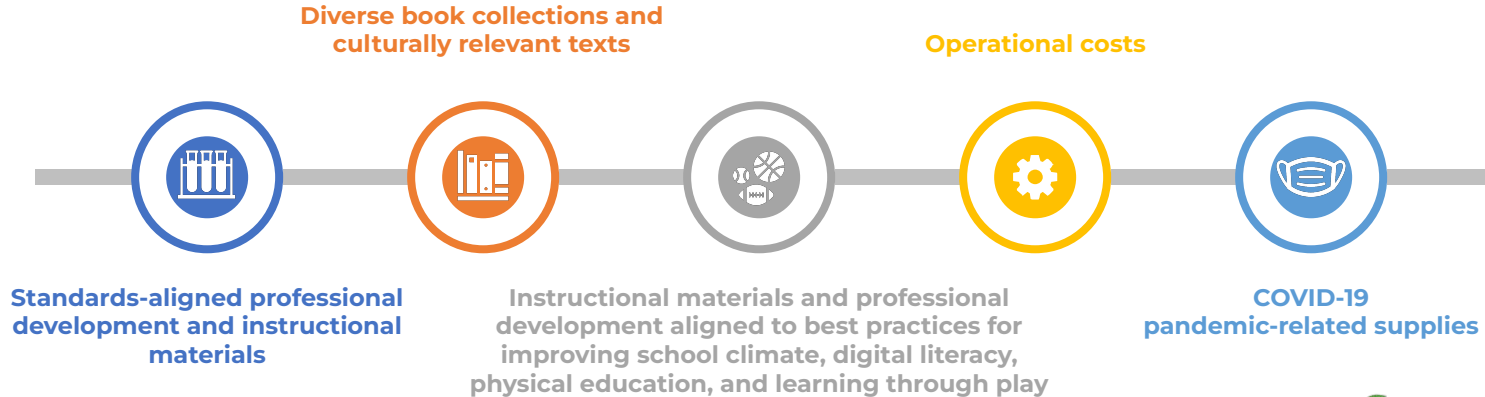
<sup>1</sup>Projected rates reflect an investment loss for 2021-22 based on preliminary investment returns, as well as an anticipated decrease in normal cost due to new hires entering lower cost benefit tiers

Source: Schools Pool Actuarial Valuation as of June 30, 2021

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# Arts, Music, and Instructional Material Block Grant—Proposed Funding Reduction

- The Governor’s Budget proposes a \$1.2 billion reduction in the \$3.5 billion one-time funding provided in the 2022-23 Enacted Budget package, bringing the appropriation down to \$2.3 billion
- Local plan must be discussed and approved during a regularly scheduled board meeting
- Funds must be spent by June 30, 2026



# What's Not in the Proposed Budget?

## Myriad Categorical Programs

This Governor's Budget lacks the litany of one-time and ongoing new categorical programs as nearly all revenues are needed to maintain current programs



## Reserve Withdrawal

The Governor is holding back on using Rainy Day funds, but may need to play that card if economic conditions worsen



## Pension Relief

While Governor Newsom applauds the paydown of pension debt in past years, no relief is provided as CalPERS rates increase and CalSTRS rates remain high



## Covid-Related Relief

A first since May 2020, not a single K-12 proposal appears tied to the COVID-19 pandemic



# COLA Proposal Impact to SCUSD LCFF Multi-Year Projections

<b>Governors Budget Proposal 8.13% COLA for FY 23-24 Compared to First Interim</b>			
<b>LCFF Total Projected Changes</b>	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
<b>Difference</b>	<b>0</b>	<b>12,749,614</b>	<b>10,556,650</b>
<b>LCFF Base</b>	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
<b>Difference</b>	<b>0</b>	<b>10,334,437</b>	<b>8,526,198</b>
<b>Supplemental &amp; Concentration</b>	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
<b>Difference</b>	<b>-</b>	<b>2,415,177</b>	<b>2,030,452</b>

# Impact to SCUSD Multi-Year Projections

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

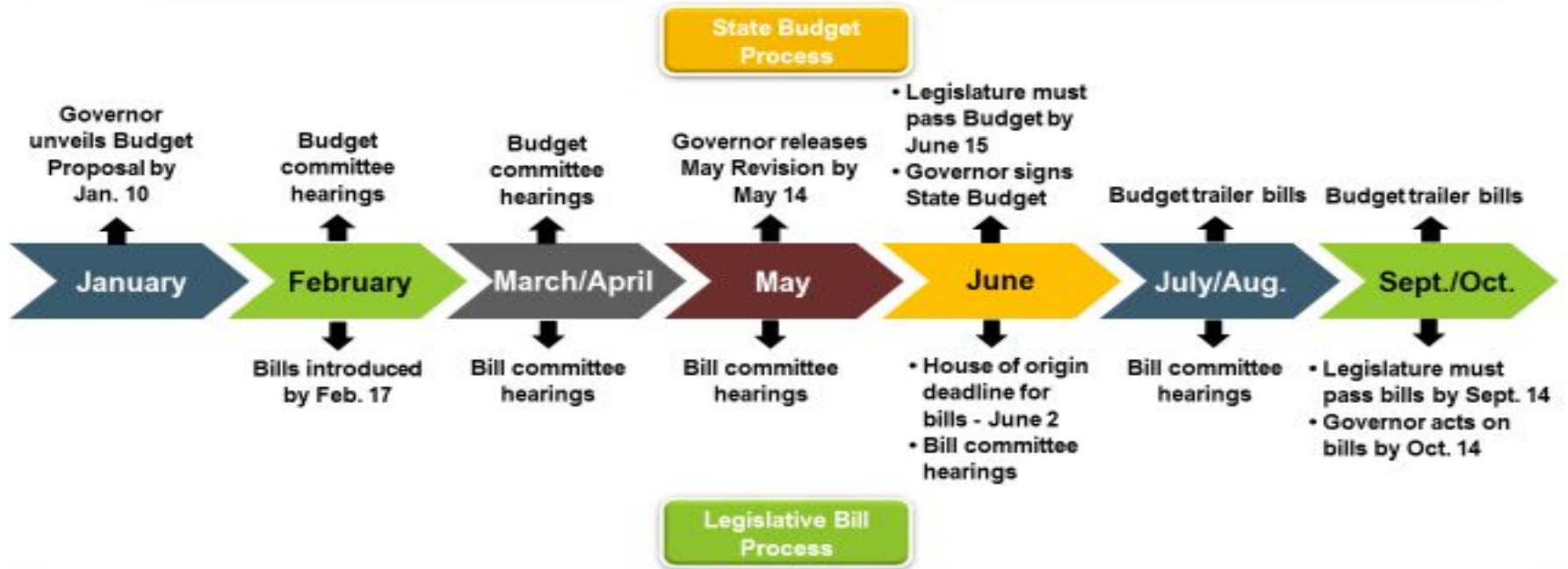
Table includes LCFF adjustments for change in COLA in 2023-24 and 2024-25, \$6.3M estimated Prop 28 Arts Music funding, a reduction of \$7.3M in one-time Arts Music Grant funding, and additional expenditures for increased supplemental and concentration grant funds.

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

# Budget Concerns

- Revenue forecasts do not include the impact of COVID-19
- Recession
- Declining Enrollment
- PERS/STRS cost increases
- Health and Welfare Benefit cost increases

# 2023 State Budget and Legislation Timeline





# Next Steps

- 2023-24 Budget Development – Ongoing
- 2022-23 Second Interim Report – March 16, 2023
- Governor’s May Revise – May 2023 will be used to inform the District’s 23-24 Budget
- State Enacted Budget – June 2023 (after District’s Budget is developed)