



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.3

**Meeting Date:** August 17, 2023

**Subject:** 2023-24 45 Day Revise Budget 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 key information on the State Enacted Budget for fiscal year 2023-24 and the projected impact on the District's budget.

**Background/Rationale:** On June 27, 2023, Governor Gavin Newsom signed an on-time budget. The budget maintained several proposals that were included in the May Revision; however, some changes have been incorporated in the final state budget. These are the major K-12 funding provisions in the 2023-24 state budget:

- The funded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), special education and several other categorical programs outside the LCFF is 8.22%.
- \$1.1 billion reduction to the Learning Recovery Emergency Block Grant
- \$200 million reduction to the Arts, Music and Instructional Materials Discretionary Block Grant
- \$300 million (ongoing) increase to create an LCFF Equity Multiplier intended to close opportunity gaps. These funds will be allocated to schools serving more than 70% socioeconomically disadvantaged students and more than 25% transient students.
- \$248 million (one-time) increase to expand the number of high-poverty schools participating in the Literacy Coaches and Reading Specialist Grant Program.

- Delay of the \$550 million in planned support from 2023-24 to 2024-25 for the California Preschool, Transitional Kindergarten (TK) and Full-Day Kindergarten Facilities Grant Program. This program provides funding for the construction of new classrooms or the retrofit of existing school facilities for these programs.

**Financial Considerations:** Identify projected impact to the District's budget based on key items in the State Enacted Budget for 2023-24

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

**Documents Attached:**

1. Executive Summary

**Estimated Time of Presentation:** 10 Minutes

**Submitted by:** Jesse Castillo, Assistant Superintendent of Business Services

**Approved by:** Lisa Allen, Interim Superintendent

# Board of Education Executive Summary

## Business Services

2023-24 45 Day Budget Update

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### I. OVERVIEW/HISTORY:

The District adopted the fiscal year 2023-24 Budget for all funds at the June 22, 2023 board meeting. The District's 2023-24 Adopted Budget is based on the Governor's May Budget Revision that was released on May 12, 2023. While the Governor's May Revise Budget is a very significant event in the process, the final impact to the District is ultimately known once the State Budget is signed. On June 27, 2023, Governor Gavin Newsom signed an on-time budget. The budget maintained several proposals that were included in the May Revision; however, some changes have been incorporated in the final state budget.

These are the major TK-12 funding provisions in the 2023-24 state budget:

- The funded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), special education and several other categorical programs outside the LCFF is 8.22%.
- \$1.1 billion reduction to the Learning Recovery Emergency Block Grant (see Learning Recovery Emergency Block Grant below for further details).
- \$200 million reduction to the Arts, Music and Instructional Materials Discretionary Block Grant (see Arts, Music and Instructional Materials Discretionary Block Grant below for further details).
- \$300 million (ongoing) increase to create an LCFF Equity Multiplier intended to close opportunity gaps. These funds will be allocated to schools serving more than 70% socioeconomically disadvantaged students and more than 25% transient students.
- \$248 million (one-time) increase to expand the number of high-poverty schools participating in the Literacy Coaches and Reading Specialist Grant Program. This program provides funding to eligible LEAs for the:
  - Development of school literacy programs.
  - Employment and training of literacy coaches and reading and literacy specialists.
  - Development and implementation of interventions for students needing targeted literacy support.
- Delay of the \$550 million in planned support from 2023-24 to 2024-25 for the California Preschool, Transitional Kindergarten (TK) and Full-Day Kindergarten Facilities Grant Program. This program provides funding for the construction of new classrooms or the retrofit of existing school facilities for these programs.

### II. Driving Governance:

- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1<sup>st</sup> and the proposed expenditures for the Education Protection Account. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education will determine if the district will be able to



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meet its financial obligations during the fiscal year and ensure a financial plan that will enable the district to satisfy its multi-year financial commitments.

### III. Budget:

Following is a summary of the major details related to the K-12 part of the 2023-24 State Enacted Budget as well as an update on some of those details for the District's multi-year projections.

### IV. Goals, Objectives and Measures:

Continue to provide information to the Board and the public regarding budget updates as well as during the required reporting periods of First, Second and Third interim reports.

### V. Major Initiatives:

Continued analysis of information from the State and its impact on the District's budget.

### VI. Results:

Budget development for 2023-24 has followed the timeline approved by the Board. The District will continue to provide budget updates as information becomes available.

### VII. Lessons Learned/Next Steps:

Continue to monitor the State budget and its impact on District finances.

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### 2023-24 State Enacted Budget

#### Local Control Funding Formula

The final budget adopts a COLA of 8.22% on the LCFF and on selected categorical programs.

#### Transitional Kindergarten (TK)

The 2023-24 State Budget makes three significant changes to TK staffing requirements as compared with the May Revision:

- Beginning in 2025-26, all TK classrooms must be staffed at a 10-to-1 student-to-adult ratio. While it is the intent of the legislature to provide funding to support this staffing ratio, the 10-to-1 requirement is no longer contingent upon the receipt of additional funding.
- Beginning in 2023-24, any LEA that opts to enroll children in TK who meet the definition of “early enrollment children” (those whose fourth birthday falls between June 2 and September 1 preceding the school year in which they are enrolled in TK) must adhere to a 10-to-1 student-to-adult ratio and maintain a maximum class size of 20 for classes that include an early enrollment child.
- The credentialed teacher requirement and the qualification requirements for adults assigned to a TK classroom that were part of the Governor's January Budget and May Revision are not included in the state's adopted budget.

#### Local Control Accountability Plan (LCAP)

The 2023-24 State Enacted Budget includes multiple changes to Local Control Accountability Plan (LCAP) requirements. This includes new requirements to:

- Add focused goals to address educator preparation and student performance for schools receiving Equity Multiplier funding.
- Add specific actions to address any school or student group assigned the lowest performance level on any California School Dashboard indicator.
- Change actions deemed ineffective over a three-year period.
- Tie school-wide and districtwide actions to specific outcome metrics

#### Proposition 28

In November 2022, voters approved Proposition 28, which mandates the annual allocation of 1% of the TK-12 portion of Proposition 98 funding for arts and music instruction in schools. The State Budget estimates total funding for Proposition 28 to be \$938 million in 2023-24.

Furthermore, legislation adopted with the State Budget (SB 115) includes several technical clarifications to the proposition, such as specifying that the funding amount for a given fiscal year is finalized as of the subsequent year's May Revision. LEAs should exercise caution in planning for the expenditure of these funds. LEA and school site allocations are not yet known

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and some key provisions of the Proposition, including the restriction on supplanting and the requirement to use 80% of the funding for employees, lack clarity. As a reminder, LEAs have a three-year timeframe to spend each year's allocation of funds.

#### **Arts, Music and Instructional Materials Discretionary Block Grant**

The 2022-23 State Budget established the Arts, Music and Instructional Materials Discretionary Block Grant, totaling \$3.5 billion in one-time funds. This grant provides LEAs with funding for specified uses, including standards-aligned professional development, instructional materials, improved school culture and development of diverse and culturally relevant book collections.

The 2023-24 State Budget reduces this amount by \$200 million, or approximately 6%.

The first 50% of the grant was distributed to LEAs in November 2022. The remaining funds, adjusted for the \$200 million reduction, are scheduled for distribution in the 2023-24 fiscal year, most likely in late summer or early fall. As a reminder, the grant requires LEA governing boards to approve expenditure plans consistent with the allowable uses of the grant.

#### **Learning Recovery Emergency Block Grant**

The 2022-23 State Budget also established the Learning Recovery Emergency Block Grant, totaling \$7.9 billion in one-time funds, to support academic learning recovery and staff and pupil social and emotional well-being. This funding is designated to be spent through the 2027-28 fiscal year. The 2023-24 State Budget reduces funding for the Learning Recovery Emergency Block Grant by \$1.1 billion, or approximately 14%, in the 2022-23 fiscal year. However, it is the intent of the legislature to restore these funds starting in fiscal year 2025-26, with an increase of \$378.7 million each year through the 2027-28 fiscal year. LEAs received the full apportionment for the Learning Recovery Emergency Block Grant in the 2022-23 fiscal year. To recover the reduction in funds, the CDE will reduce most LEAs' principal apportionment in the 2023-24 fiscal year. While the exact implementation date for this reduction remains unclear, it will not occur before September 2023. LEAs are advised to record a revenue liability for 14% of the amount received to recognize the reduction at 2022-23 year end.

#### **State Preschool**

The 2022-23 State Budget included a \$485 million (ongoing) increase to expand access to State Preschool services for three-year-olds, students with exceptional needs, dual language learners and students needing mental health support. This funding allocation also imposed certain requirements on State Preschool Program providers to serve additional students with exceptional needs.

However, the 2023-24 State Budget introduces revised timelines for the implementation of these requirements. The requirement that at least 7.5% of a provider's funded enrollment be reserved for students with exceptional needs has been delayed from July 1, 2023 to July 1, 2025.

Likewise, the requirement that at least 10% of funded enrollment be reserved for students with exceptional needs has been delayed from July 1, 2024 to July 1, 2026. The State Budget also

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suspends the annual COLA for State Preschool for the 2023–24 and 2024–25 fiscal years. Instead, it expresses the intention to honor negotiated rate increases.

Additionally, legislation adopted prior to the State Budget allows the CDE to use \$9.7 million from the 2022-23 State Budget to waive family fees for preschool through September 30, 2023. Starting October 1, 2023, family fees cannot exceed 1% of the family’s monthly income, and families with an adjusted monthly family income below 75% of the state median family income cannot be assessed a family fee. A new family fee matrix is in development.

### Special Education

As part of the State Budget, the Special Education base grant will receive an 8.22% COLA and will now be approximately \$887.40 per funded average daily attendance (ADA). Furthermore, the State Budget maintains the following policy adjustments that were initially proposed in and revised slightly from the Governor’s January Budget and May Revision:

- Special Education Local Plan Areas (SELPA) are required to allocate base funding of at least the same amount provided to their member LEAs in 2022-23 for the 2023-24 fiscal year. This minimum allocation should be increased by the 8.22% COLA and adjusted to account for any changes in the funded ADA.
- LEAs may allocate funds back to their SELPA for purposes of providing regionalized or other programmatic services.
- The moratorium on the creation of new single-district SELPAs is extended by an additional two years to June 30, 2026.
- The CDE must post each SELPA’s annual local plan on its website.

### The budget also includes support for the following one-time investments:

- \$248 million (one-time) increase to expand the number of high-poverty schools participating in the Literacy Coaches and Reading Specialist Grant Program. This program provides funding to eligible LEAs for the:
  - Development of school literacy programs.
  - Employment and training of literacy coaches and reading and literacy specialists.
  - Development and implementation of interventions for students needing targeted literacy support.
- The delay of the \$550 million in planned support from 2023-24 to 2024-25 for the California Preschool, Transitional Kindergarten (TK) and Full-Day Kindergarten Facilities Grant Program. This program provides funding for the construction of new classrooms or the retrofit of existing school facilities for these programs.
- \$100 million decrease in planned support for the School Facility Program in 2023-24, reducing the allocation from approximately \$2.1 billion to approximately \$2.0 billion. This program provides funding for new construction and modernization.
- \$119.6 million (one-time) increase to implement the Stronger Connections Program. This

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program provides grants to high needs schools to establish safe, healthy and supportive learning opportunities and environments in schools.

- \$20 million (one-time) increase for the Bilingual Teacher Professional Development Program. This program provides competitive grants to LEAs to increase the number of teachers with a bilingual authorization.
- \$15 million (one-time) increase for grants to LEAs to acquire and install commercial dishwashers. This is in addition to the \$600 million included in the 2022-23 State Budget for kitchen infrastructure grants.
- \$10 million (one-time) increase to provide competitive grants for LEAs to credential, place and retain diverse school administrators.
- \$7 million (one-time) increase to provide competitive grants for LEAs to implement restorative justice best practices. These practices will be developed and made available on the CDE's website by June 1, 2024.
- \$6 million (one-time) increase for the California Student Aid Commission's Golden State Teacher Program. This program administers grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at high-need school sites.
- \$3.5 million (ongoing) increase to be allocated to COEs for distributing naloxone hydrochloride, or another medication to reverse an opioid overdose, to LEAs. This is to ensure all middle, high and adult schools maintain at least two doses on campus for emergency aid.





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### 2023-24 Sacramento City Unified School District 45 Day Budget Update

#### Summary of Changes:

- Unrestricted lottery increased by \$242K from \$5.9M to \$6.14M to reflect increase in per ADA rate from \$170 to \$177
- Restricted lottery increased by \$173K from \$2.2M to \$2.5M to reflect increase in per ADA rate from \$67 to \$72
- One-time Arts Music Instructional Materials Discretionary Block Grant increase of \$9.67M for 2022-23 year, reflecting the adjusted reduction of 5.56%
- One-time Learning Recovery Emergency Block Grant decrease of \$7.77M for 2022-23 year, reflecting the state reduction of approximately 14%.
- Increase in unrestricted ongoing expenditures of \$706K related to additional positions and budget revisions since adopted budget

#### Planning Factors for 2023-24 and Multi-Year Projections

Key planning factors for LEAs to incorporate into their 45-day revision for the 2023-24 Adopted Budget and multiyear projections are listed below and are based on the latest information available.

Planning Factor	2023-24	2024-25	2025-26
<b>Cost-of-Living Adjustment (COLA)</b>			
LCFF COLA	8.22%	3.94%	3.29%
Special Education COLA	8.22%	3.94%	3.29%
<b>Employer Benefit Rates</b>			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.68%	27.70%	28.30%
State Unemployment Insurance	0.05%	0.05%	0.05%
<b>Lottery</b>			
Unrestricted per ADA	\$177	\$177	\$177
Proposition 20 per ADA	\$72	\$72	\$72
<b>Universal Transitional Kindergarten/ADA</b>	\$3,044	\$3,164	\$3,268
<b>Mandate Block Grant</b>			
Districts			
Grades K-8 per ADA	\$37.81	\$39.30	\$40.59
Grades 9-12 per ADA	\$72.84	\$75.71	\$78.20
Charters			
Grades K-8 per ADA	\$19.85	\$20.63	\$21.31
Grades 9-12 per ADA	\$55.17	\$57.34	\$59.23



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### 2023-24 Multi Year Projections Update

Description	Revised Budget 2023-24			Projection 2024-25			Projection 2025-26		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
<b>Revenue</b>									
General Purpose	500,346,764	2,478,216	502,824,980	501,052,464	2,478,216	503,530,680	504,787,435	2,478,216	507,265,651
Federal Revenue	-	99,571,861	99,571,861	-	39,089,508	39,089,508	-	39,089,508	39,089,508
State Revenue	12,144,270	100,096,650	112,240,920	12,144,270	99,371,792	111,516,062	12,144,270	99,371,792	111,516,062
Local Revenue	4,151,175	2,032,950	6,184,125	4,151,175	2,032,950	6,184,125	4,151,175	2,032,950	6,184,125
<b>Total Revenue</b>	<b>516,642,209</b>	<b>204,179,676</b>	<b>720,821,886</b>	<b>517,347,909</b>	<b>142,972,466</b>	<b>660,320,376</b>	<b>521,082,880</b>	<b>142,972,466</b>	<b>664,055,347</b>
<b>Expenditures</b>									
Certificated Salaries	178,470,006	70,896,488	249,366,493	179,830,938	78,538,960	258,369,898	181,834,083.06	72,710,274	254,544,357
Classified Salaries	42,958,364	34,523,944	77,482,308	44,263,437	31,543,654	75,807,091	44,573,280.94	32,482,630	77,055,911
Benefits	131,105,927	89,940,805	221,046,732	137,724,914	83,271,157	220,996,071	144,183,819.79	84,810,601	228,994,421
Books and Supplies	13,462,782	25,690,583	39,153,365	14,258,594	15,568,581	29,827,175	9,365,541.48	15,694,912	25,060,454
Other Services & Oper. Expenses	27,570,886	84,288,412	111,859,298	26,936,886	77,428,088	104,364,974	27,097,833.09	79,826,370	106,924,203
Capital Outlay	49,259	896,918	946,177	49,259	896,918	946,177	49,259.00	896,918	946,177
Other Outgo 7xxx	1,510,300	-	1,510,300	1,510,300	-	1,510,300	1,510,300.00	-	1,510,300
Transfer of Indirect 73xx	(7,894,319)	6,616,549	(1,277,770)	(7,701,158)	6,423,388	(1,277,770)	(7,623,460.53)	6,345,691	(1,277,770)
Budget Reductions	-	-	-	-	(1,941,527)	(1,941,527)	-	(3,899,225)	(3,899,225)
<b>Total Expenditures</b>	<b>387,233,206</b>	<b>312,853,698</b>	<b>700,086,904</b>	<b>396,873,171</b>	<b>291,729,218</b>	<b>688,602,389</b>	<b>400,990,657</b>	<b>288,868,171</b>	<b>689,858,827</b>
<b>Deficit/Surplus</b>	<b>129,409,004</b>	<b>(108,674,022)</b>	<b>20,734,982</b>	<b>120,474,738</b>	<b>(148,756,752)</b>	<b>(28,282,014)</b>	<b>120,092,223</b>	<b>(145,895,704)</b>	<b>(25,803,481)</b>
Other Sources/(uses)	-	-	-	-	-	-	-	-	-
Transfers in/(out)	2,475,399	-	2,475,399	2,475,399	-	2,475,399	2,475,399	-	2,475,399
Contributions to Restricted	(104,925,543)	104,925,543	-	(112,881,683)	112,881,683	-	(121,307,234)	121,307,234	-
<b>Net increase (decrease) in Fund Balance</b>	<b>26,958,860</b>	<b>(3,748,479)</b>	<b>23,210,381</b>	<b>10,068,454</b>	<b>(35,875,069)</b>	<b>(25,806,615)</b>	<b>1,260,388</b>	<b>(24,588,470)</b>	<b>(23,328,082)</b>
Beginning Balance	96,877,839	84,752,077	181,629,916	123,836,699	81,003,599	204,840,297	133,905,153	45,128,530	179,033,683
<b>Ending Balance</b>	<b>123,836,699</b>	<b>81,003,599</b>	<b>204,840,297</b>	<b>133,905,153</b>	<b>45,128,530</b>	<b>179,033,683</b>	<b>135,165,541</b>	<b>20,540,060</b>	<b>155,705,601</b>
Revolving/Stores/Prepays	325,000	-	325,000	325,000	-	325,000	325,000	-	325,000
Reserve for Econ Uncertainty	13,952,230	-	13,952,230	13,722,540	-	13,722,540	13,747,669	-	13,747,669
Restricted Programs	-	81,003,599	81,003,599	-	45,128,530	45,128,530	-	20,540,060	20,540,060
Committed	85,832,540	-	85,832,540	85,832,540	-	85,832,540	85,838,063	-	85,838,063
Other Assignments	2,260,058	-	2,260,058	2,260,058	-	2,260,058	2,260,058	-	2,260,058
<b>Unappropriated Fund Balance</b>	<b>21,466,870</b>	<b>-</b>	<b>21,466,870</b>	<b>31,765,015</b>	<b>-</b>	<b>31,765,015</b>	<b>32,994,751</b>	<b>-</b>	<b>32,994,751</b>
<i>Unappropriated Percent</i>			<b>3.07%</b>			<b>4.61%</b>			<b>4.78%</b>

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### Conclusion

The District is projected to satisfy the 2% required reserve for economic uncertainties and maintain a positive cash flow in 2023-24, 2024-25 and 2025-26. The District projects an unrestricted surplus of \$26.9M for 2023-24, \$10.06M for 2024-25 and \$1.26M in 2025-26. The projected budget and multiyear projections support that the District is projected to be able to meet its financial obligations for the current and subsequent two years.

### **Risks:**

Uncertainty regarding on-going State funding for K12 Districts, the potential future impact of a recessionary economy, enrollment, and declining average daily attendance. Additional risks include expiring ESSER III positions that are projected to shift to the one-time Learning REBG and Arts Music BG in 2024-25 but do not have an ongoing funding source identified thereafter and are subsequently removed from the budget. Additional information will be brought to the board as the district continues discussions on strategic priorities investments.

### **Opportunities:**

Improved State Budget and funding for K12 Districts, stable/increased enrollment, maintaining fiscal stability and the potential to make up the instructional days lost during the 2021-22 school year through the State waiver process.

### Continuation of County Oversight

County superintendents are required by statute to continually monitor districts for fiscal distress. If the district has a negative certification, a disapproved budget, or the county superintendent determines that the district may be unable to meet its financial obligations, the county superintendent can:

- Stay or rescind any action that is determined to be inconsistent with the ability of the district to meet its obligations for the current or subsequent fiscal year, and
- Assist in developing a budget for the subsequent fiscal year.

The Sacramento County superintendent continues to maintain the current fiscal advisor to support the district.