

Governor's Proposed 2023–24 State Budget

Committee of the Whole

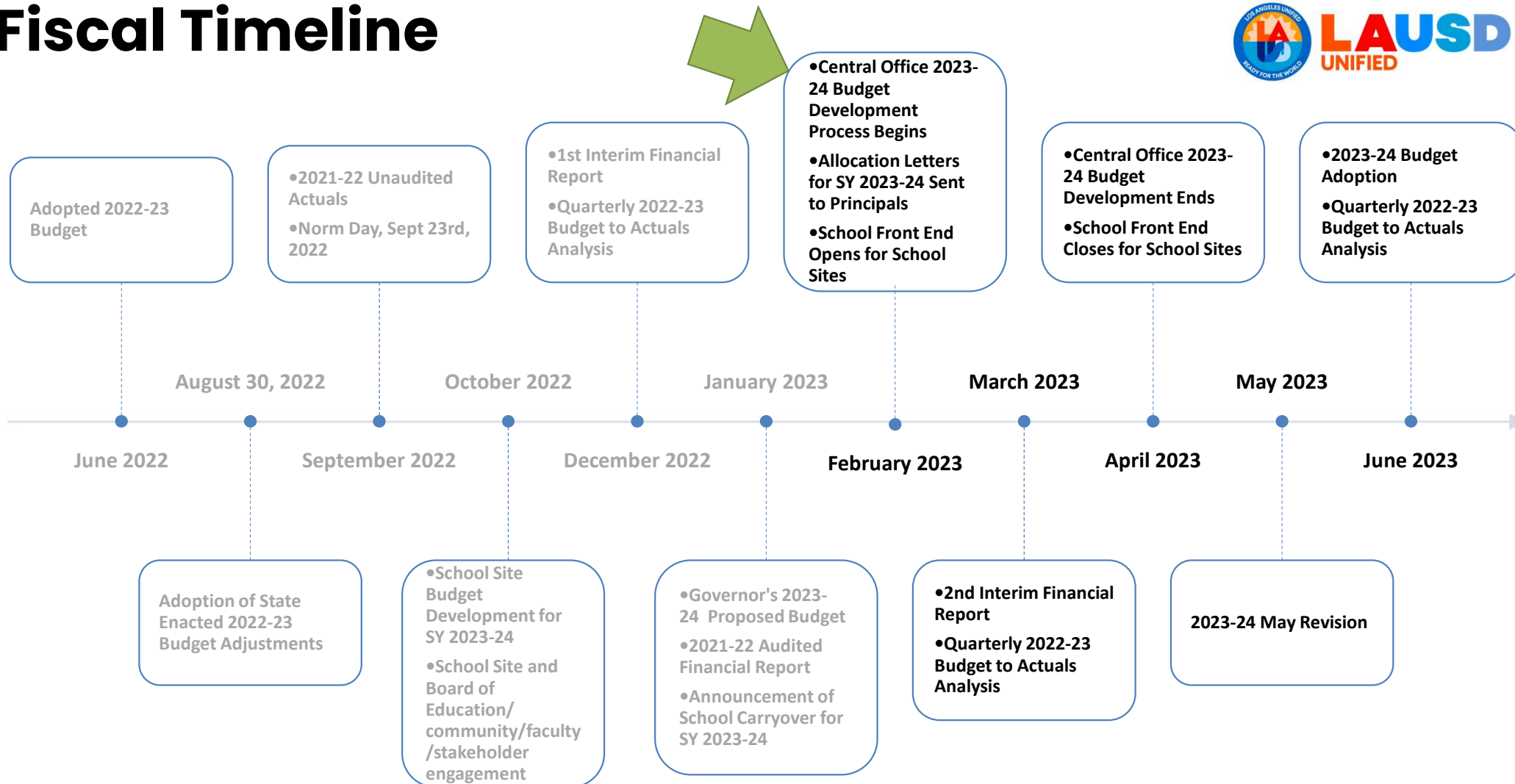
February 14, 2023

Agenda



- Fiscal Timeline
- Overview of Governor's Proposed State Budget
 - Impact on LA Unified
- Local Control Funding Formula (LCFF) Overview
- Factors not Reflected at 1st Interim
- Components of Ending Balance

Fiscal Timeline



Overview of Governor's 2023–24 State Budget

\$5.9 billion in available Prop. 98 funds for K–14

- \$4.86 billion for a 8.13% COLA for LCFF and categorical programs
 - 3.54% COLA in 2024–25
- \$300 million “equity multiplier” add-on to LCFF
- \$690 million for second year of UTK
- \$165 million to maintain 1:12 ratio in UTK
- \$64.5 million for CA State Preschool Program inclusivity adjustments
- \$250 million of one-time funding for literacy coaches
- \$100 million of one-time funding for cultural enrichment experiences for 12th graders
- \$3.5 million to provide at least two doses of naloxone to all middle and high schools

\$941 million from the General Fund as a result of the passage of Prop. 28 to increase arts instruction and/or arts program in public education

Impact on LA Unified – COLA



- COLAs for 2023-24 and beyond have changed since the State's 2022-23 enacted budget:

	2023-24	2024-25	2025-26	2026-27
2022-23 Enacted Budget	5.38%	4.02%	3.72%	
2023-24 Proposed Budget	8.13%	3.54%	3.31%	3.23%

- Estimated impact on LCFF Revenue, as compared to 1st Interim:

	2023-24	2024-25
2023-24 COLA @ 8.13%	+\$158M	+\$151M
2024-25 COLA @ 3.54%		-\$27M
TOTAL Change	+\$158M	+\$124M

Impact on LA Unified – Other Grants



Arts, Music and Instructional Materials Discretionary Block Grant

- The District is estimated to **lose approximately \$85M** in one-time funding if the proposed Statewide \$1.2 billion reduction is approved
 - Office of Government Relations (OGR) is collaborating with a large coalition and sent a joint letter to the Governor and legislative leadership opposing this cut

Proposition 28 – Arts and Music in Schools

- The District is estimated to **receive approximately \$84M** in funding for 2023–24
- 80% of funds must be used to employ staff for arts education
- Each school must develop an expenditure plan
- Requires additional resources to supplement, not supplant
 - Reduction of Arts and Music grant directly conflicts with supplement not supplant provision

Impact on LA Unified – Other Changes



LCFF Equity Multiplier

- Additional funds are allocated to LEAs, but eligibility is determined by school sites.
- Eligibility Determination
 - High schools serving at least 85% of students who are eligible for federal free meal program.
 - Elementary and middle schools serving at least 90% of students who are eligible for federal free meal program.
- Each eligible school site will receive no less than \$50,000.
- Requires additional resources supplement, not supplant

Impact on LA Unified – Other Changes



- Proposed Accountability Changes

- Requires LEAs present a report on the annual update to the LCAP and budget overview for parents on or before February 28 every year at a regularly scheduled Board Meeting.
- For low student group performance on the CA School Dashboard, requires LEAs to include specific goals, actions, and funding to address student and school level needs with subsequent evaluations of effectiveness that include parent and community input.
- Requires actions that have not proved effective over a 3-year period of implementation to be changed. The LCAP must have a description of changes with an explanation of the reasons for lack of progress.
- Gradually changes the timeline for the public reporting of performance data on state and local indicators for prior school year to October 15, 2026, and in each school year thereafter.

Impact on LA Unified – Other Changes



- CA Preschool, Transitional Kindergarten and Full Day Kindergarten Facilities Grant Program
 - The Facilities Services Division does not expect the one-year delay of the additional \$550M into the state program to impact the District.
 - There are no construction projects seeking grants that would be affected by this delay in funding.
- Higher CalPERS Employer contribution rates in 2023-24 and beyond

	2023-24	2024-25	2025-26	2026-27
2022-23 Enacted Budget	25.20%	24.60%	23.70%	23.70%
2023-24 Proposed Budget	27.00%	28.10%	28.80%	29.20%
General Fund Cost Increase	\$21.8M	\$38.8M	\$56.7M	\$61.9M

Local Control Funding Formula (LCFF): Initial Model



Starting in 2013, California has implemented the Local Control Funding Formula to allocate funds to LEAs. The initial Funding Formula included the following components:



Concentration Funds

Districts receive Concentration funds for every student who is an **English Learner, in foster care, and/or low income** over 55% of enrollment.

Supplemental Funds

Districts receive Supplemental funds for every student who is an **English Learner, in foster care, and/or low income**.

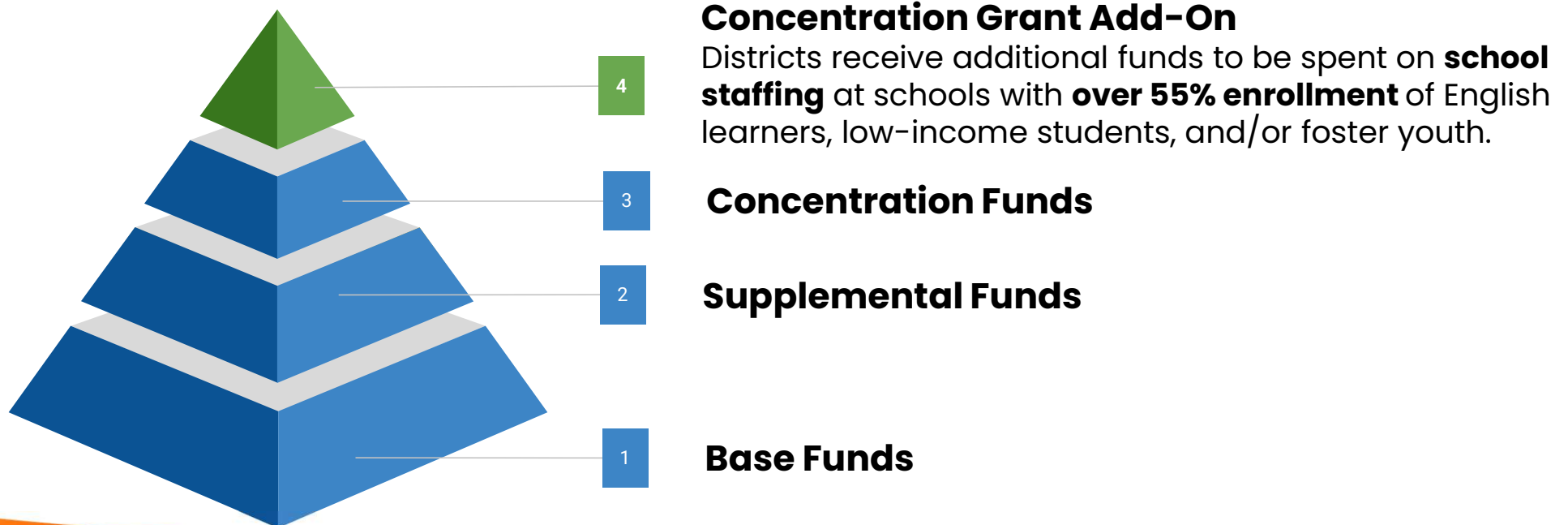
Base Funds

Districts receive Base funds for every student.

Local Control Funding Formula (LCFF): Concentration Grant Add-On



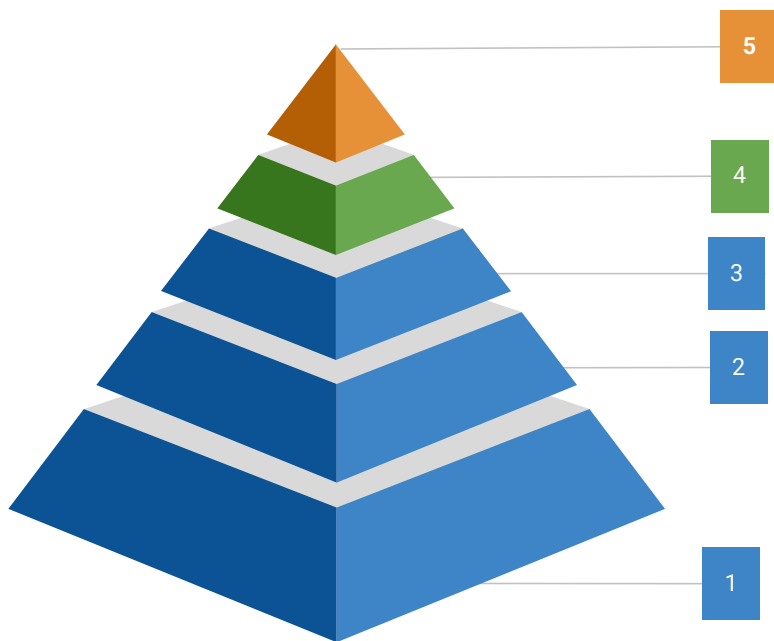
Starting in 2021, the initial Funding Formula was modified to include an additional concentration grant component:



Local Control Funding Formula (LCFF): Proposed Equity Multiplier



The Governor's January Budget includes a proposal for an additional "equity multiplier" component of LCFF:



Equity Multiplier

Districts will receive additional site-level funds (to supplement, not supplant, the Concentration Grant Add-On) for K-8 schools with **90% or greater students eligible for free meals** or schools offering grades 9-12 with **85% or greater students eligible for free meals**.

Concentration Grant Add-On

Concentration Funds

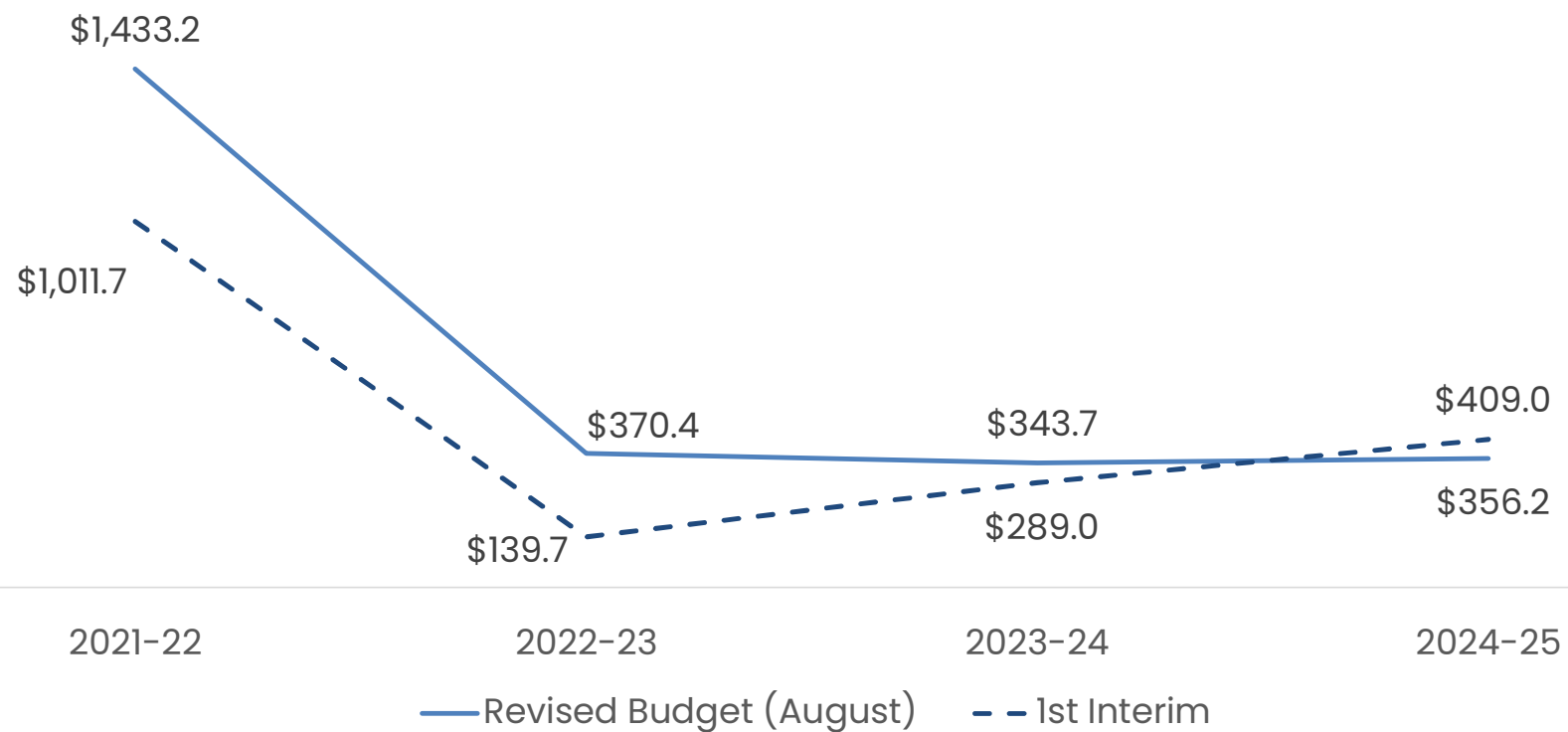
Supplemental Funds

Base Funds

Multi-Year Projection at 1st Interim



Unassigned/Undesignated Ending Balance
amounts in millions



Enrollment/ADA Used in Multi Year Projection

	2022-23	2023-24	2024-25
Enrollment (TK-12)	422,276 Updated since August Revised Budget	394,186 To be updated at 2 nd interim	378,234 To be updated at 2 nd interim
ADA	90% May be updated at 2 nd interim	90% May be updated at 2 nd interim	90% May be updated at 2 nd interim

Factors Not Reflected at 1st Interim



- Governor's Proposed 2023-24 Budget
- Future changes in compensation
- Additional contributions to known and potential liabilities
 - Higher CalPERS employer contribution rates
 - Capital planning
 - Potential cyber security investments
 - Any potential additional unrealized loss on cash balances
 - Potential of higher OPEB liability
- Prop 28 Arts Education funding
- Potential impact of recession
- Actuals for November 2022 – January 2023
- Impact of debt ceiling impasse

Factors Not Reflected at 1st Interim



- Current offer:

	Included	Dynamic Proposal			
	2021-22	2022-23	2023-24	2024-25	Total
Ongoing Increase	5%	5%	5%		
One-Time Increase		4%	5%		
Cost		\$541M	\$951M	\$667M	\$2,159M

- A 1% salary increase for the entire workforce= \$62M
 - Accordingly, 2024-25 represents an over 10% ongoing increase in pay
 - Increases associated with Pension and OPEB are not included

Pay and Inflation



- Historical base pay % increases*:

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-24
0%	0%	6.1%	4.0%	0%	3%	3%	0%	0%	5%	10%

*In some cases some units received differentiated terms

+9%
One-time

- Current offer, assuming all units receive same increase:

	2022-23	2023-24	2024-25	Total
Ongoing Increase	5%	5%		
One-Time Increase	4%	5%		
Cost	\$541M	\$951M	\$667M	\$2,159M

- Current offer substantially higher than current and projected inflation:

	2022-23	2023-24	2024-25	2025-26	2026-27
Projected CA Inflation*	6.00%	3.44%	2.77%	2.49%	2.74%

*School Services of California (SSC) California CPI forecast

General Fund Ending Balance at 1st Interim

Components	2022-23	Description
Non-Spendable	\$43.0	Inventories and prepaid items
Restricted	\$1,750.0	Resources subject to legally enforceable constraints and imposed by grantors or by law (e.g. ELOP)
Committed	\$2,333.2	Resources constrained by limitations self-imposed by the District's Board (e.g. SENI)
Assigned	\$426.8	Resources intended to be used for specific purposes but not committed by the Board (e.g. school carryovers)
Unassigned - Reserve for Economic Uncertainty	\$238.8	State requirement to reserve 2% of General Fund expenditures and other financing uses
Unassigned - Undesignated	\$139.7	Funds not designated, committed, or restricted

Amounts in Millions