

# **Wm. S. Hart Union High School District 2022-23 Budget Public Hearing**

**June 8, 2022**

**Ralph Peschek, Chief Business Officer**

# Themes for the May Revision

- **Governor Gavin Newsom’s spending plan is an eye-popping \$300.7 billion budget to “provide relief from rising inflation, ensure public safety, address homelessness, transform public education, and combat climate change”**
  - **“Transform[ing] public education” in the May Revision is thankfully less drastic than it sounds since educational leaders are drained from two years’ worth of transformations**
- **And while revenues are extraordinary now, we’ve seen this storyline play out before**
  - **The Governor seeks to guard California against a bust like we experienced post the dot-com boom**



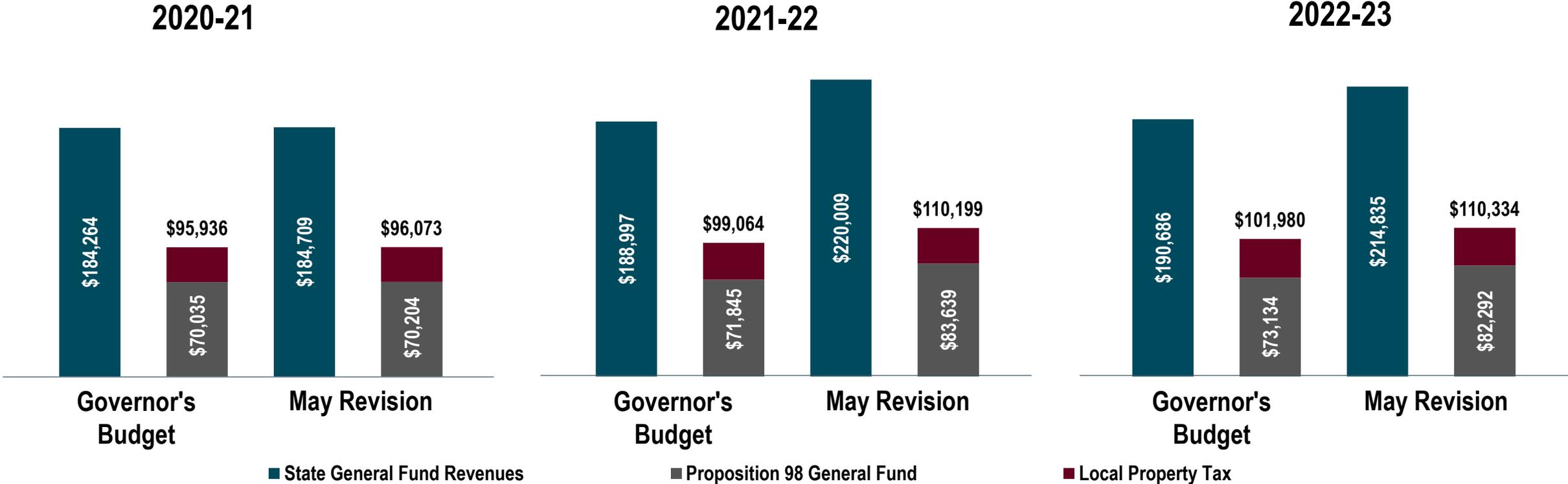
# General Fund Budget Summary

2022-23 Governor's May Revision (In millions)		
	2021-22	2022-23
<b>Prior-Year Balance</b>	<b>\$37,698</b>	<b>\$15,425</b>
Revenues and Transfers	\$226,956	\$219,632
<b>Total Resources Available</b>	<b>\$264,654</b>	<b>\$235,057</b>
Non-Proposition 98 Expenditures	\$165,590	\$145,071
Proposition 98 Expenditures	\$83,639	\$82,292
<b>Total Expenditures</b>	<b>\$249,229</b>	<b>\$227,363</b>
<b>Fund Balance</b>	<b>\$15,425</b>	<b>\$7,694</b>
Reserve for Liquidation of Encumbrances	\$4,276	\$4,276
Special Fund for Economic Uncertainties	\$11,149	\$3,418
<b>Public School System Stabilization Account</b>	<b>\$7,293</b>	<b>\$9,519</b>
<b>Safety Net Reserve</b>	<b>\$900</b>	<b>\$900</b>
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$20,325</b>	<b>\$23,283</b>

Source: Governor's 2022-23 May Revision

# Proposition 98 and State Revenues

- Generally, Proposition 98 funding levels reflect the larger economic conditions
- In recent years, this is particularly true because of the “test” that determines Proposition 98



# 2022-23 Minimum Guarantee

- Proposition 98 General Fund revenues are expected to decrease by \$1.3 billion, but are offset by an anticipated local property tax increase of \$1.5 billion

<b>Proposition 98 Breakdown</b>			
<b>(In millions)</b>			
	<b>2021-22</b>	<b>2022-23</b>	<b>Change</b>
<b>General Fund</b>	<b>\$83,639</b>	<b>\$82,292</b>	<b>(\$1,347)</b>
<b>Local Property Tax</b>	<b>\$26,560</b>	<b>\$28,042</b>	<b>\$1,482</b>
<b>Total</b>	<b>\$110,199</b>	<b>\$110,334</b>	<b>\$135</b>

- At the May Revision, the 2022-23 Proposition 98 minimum guarantee is expected to grow modestly, by a mere \$135 million

# Statewide Average Reserve Levels

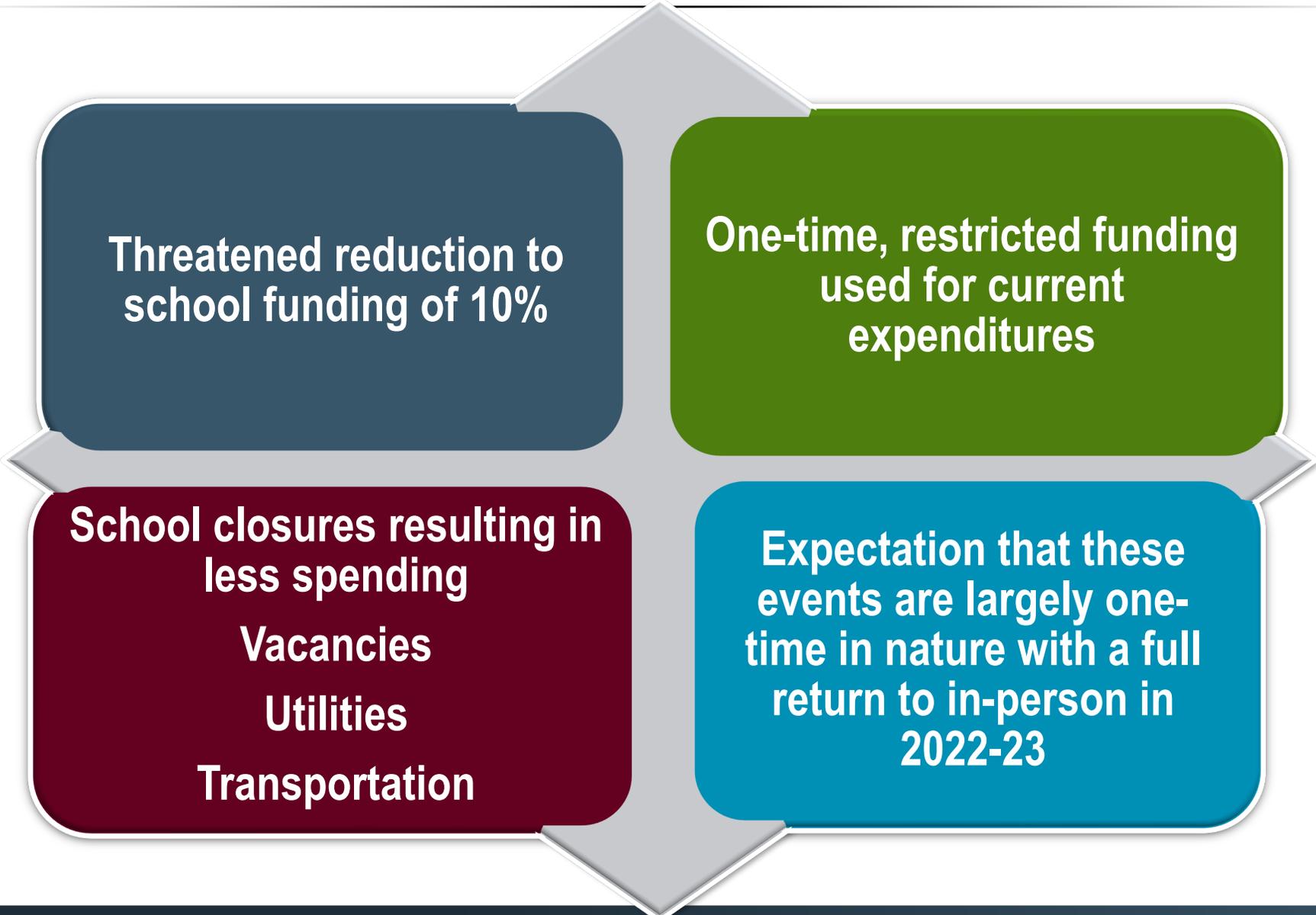
- The latest statewide data on school district reserves is available for 2020 -21
  - Unrestricted fund balances increased tremendously

Average Unrestricted General Fund, Plus Fund 17, Ending Balances <sup>1</sup>			
	2019-20	2020-21	Difference
Unified School Districts	18.82%	22.36%	3.54%
Elementary School Districts	22.70%	26.01%	3.31%
High School Districts	17.34%	21.82%	4.48%

<sup>1</sup>As a percentage of total General Fund expenditures, transfers, and other uses

- In a year when no new ongoing funding was provided, how could this happen?
  - Driven by the “COVID-bump”

# Factors Contributing to Statewide Average Reserve Levels



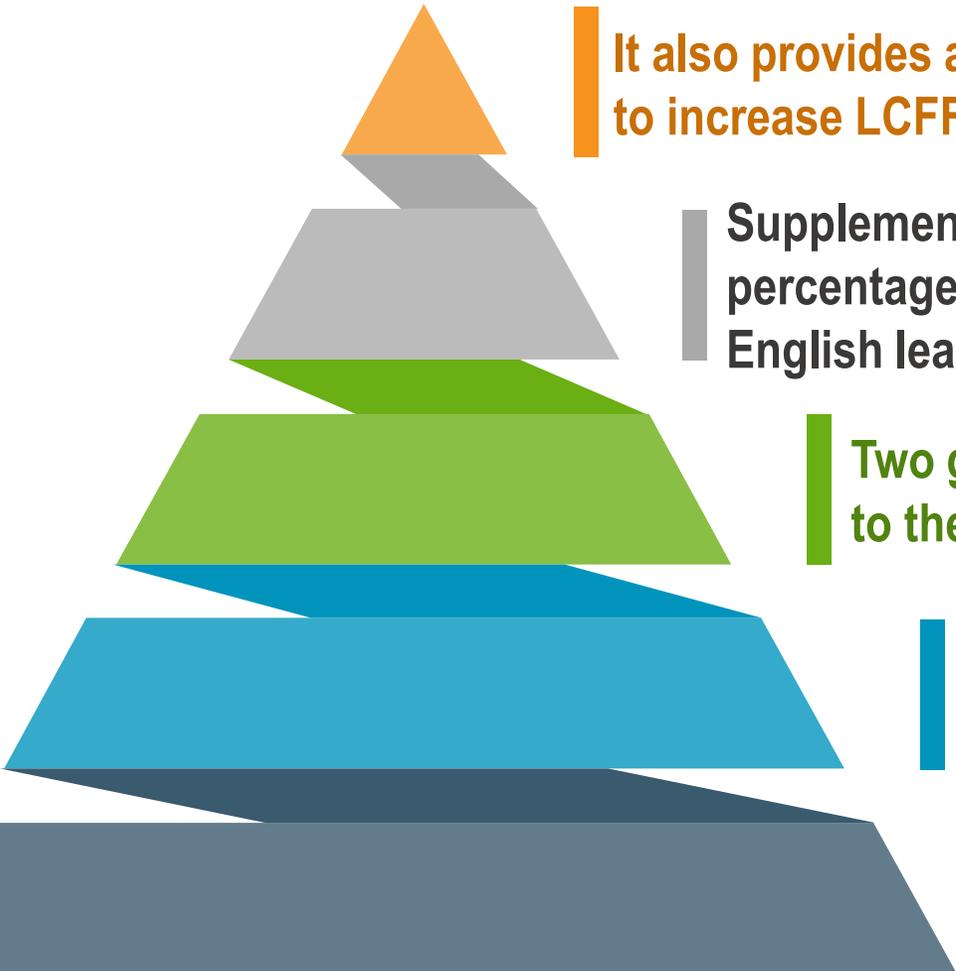
# Governor's Budget vs. May Revision

Item	Governor's Budget	May Revision
<b>LCFF<sup>1</sup> Funding Increase</b>	<b>\$3.3 billion</b>	<b>\$6.1 billion</b>
<b>Proposition 98 Minimum Guarantee</b>		
<b>2020-21</b>	<b>\$95.9 billion</b>	<b>\$96.1 billion</b>
<b>2021-22</b>	<b>\$99.1 billion</b>	<b>\$110.2 billion</b>
<b>2022-23</b>	<b>\$102.0 billion</b>	<b>\$110.3 billion</b>
<b>2022-23 Statutory COLA<sup>2</sup></b>	<b>5.33%</b>	<b>6.56%</b>
<b>One-Time Discretionary Funds</b>	<b>\$0</b>	<b>\$8 billion</b>

<sup>1</sup>Local Control Funding Formula (LCFF)

<sup>2</sup>Cost-of-living adjustment (COLA)

# 2022-23 LCFF Funding Factors



It also provides an additional \$2.1 billion in ongoing Proposition 98 General Fund to increase LCFF funding

Supplemental and concentration grants are calculated based on the percentage—Unduplicated Pupil Percentage (UPP)—of enrolled students who are English learners, eligible for free or reduced-price meals, or foster youth

Two grade span adjustments (GSAs) are applied as percentage increases to the base grants: K-3—10.4% and 9-12—2.6%

The May Revision increases LCFF base grants by the 6.56% statutory COLA—an increase in funding per student, not total funding

Base grants are provided by grade span: K-3, 4-6, 7-8, and 9-12

# SSC Financial Projection Dashboard

- Cost of goods and services are projected to increase more dramatically in the near-term
  - Shortage of goods due to lack of production
  - Increased demand resulting from economy reopening, plus infusion of multiple federal stimulus packages

LCFF Planning Factors Governor's Budget vs. May Revision						
	2022-23		2023-24		2024-25	
	January	May	January	May	January	May
<b>DOF<sup>1</sup> Estimated COLA</b>	<b>5.33%</b>	<b>6.56%</b>	<b>3.61%</b>	<b>5.38%</b>	<b>3.64%</b>	<b>4.02%</b>

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

# Retirement Systems - Employer Contribution Rates

- **The California Public Employees’ Retirement (CalPERS) Board adopted an employer contribution rate of 25.37% for 2022-23 (up 2.46% from the current-year rate of 22.91%)**

\*2022-23 Employer contribution rate approved by CalPERS Board on April 18, 2022

	Actual	Projected				
Employer Contribution Rate	2022-23*	2023-24	2024-25	2025-26	2026-27	2027-28
	25.37%	25.20%	24.60%	23.70%	22.60%	22.60%

- **The California State Teacher Retirement System (CalSTRS) actuarial valuation report projects that the employer contribution rates will remain steady at 19.1%\* through CalSTRS’ full funding goal date of 2046**

\*2022-23 employer contribution rate of 19.1% adopted on May 4, 2022

# 2022-23 LCFF Funding Factors

<b>Grade Span</b>	<b>7-8</b>	<b>9-12</b>
<b>2021-22 Base Grant per ADA<sup>1</sup></b>	<b>\$8,458</b>	<b>\$9,802</b>
<b>6.56% COLA</b>	<b>\$555</b>	<b>\$643</b>
<b>Additional LCFF Investment<sup>2</sup></b>	<b>\$278</b>	<b>\$322</b>
<b>2022-23 Base Grant per ADA</b>	<b>\$9,291</b>	<b>\$10,767</b>
<b>GSA</b>	<b>–</b>	<b>\$280</b>
<b>2022-23 Adjusted Base Grant per ADA</b>	<b>\$9,291</b>	<b>\$11,047</b>
<b>20% Supplemental Grant per ADA (Total UPP)</b>	<b>\$1,858</b>	<b>\$2,209</b>
<b>65% Concentration Grant per ADA (UPP Above 55%)</b>	<b>\$6,039</b>	<b>\$7,181</b>

<sup>1</sup>Average daily attendance (ADA)

<sup>2</sup>School Services of California (SSC) estimate of the impact the additional \$2.1 billion investment brings to LCFF funding by increasing the base rates

# Discretionary Block Grant

- Taking a page from his predecessor, Governor Newsom proposes a one-time \$8 billion Discretionary Block Grant for LEAs for the 2022-23 fiscal year

- This equates to approximately \$1,500 per ADA
- The funding would be distributed on a per-ADA basis using 2021-22 Second Principal Apportionment (P-2) reported ADA
- Expenditure of these funds is determined by the local governing board and can be used for any one-time purpose



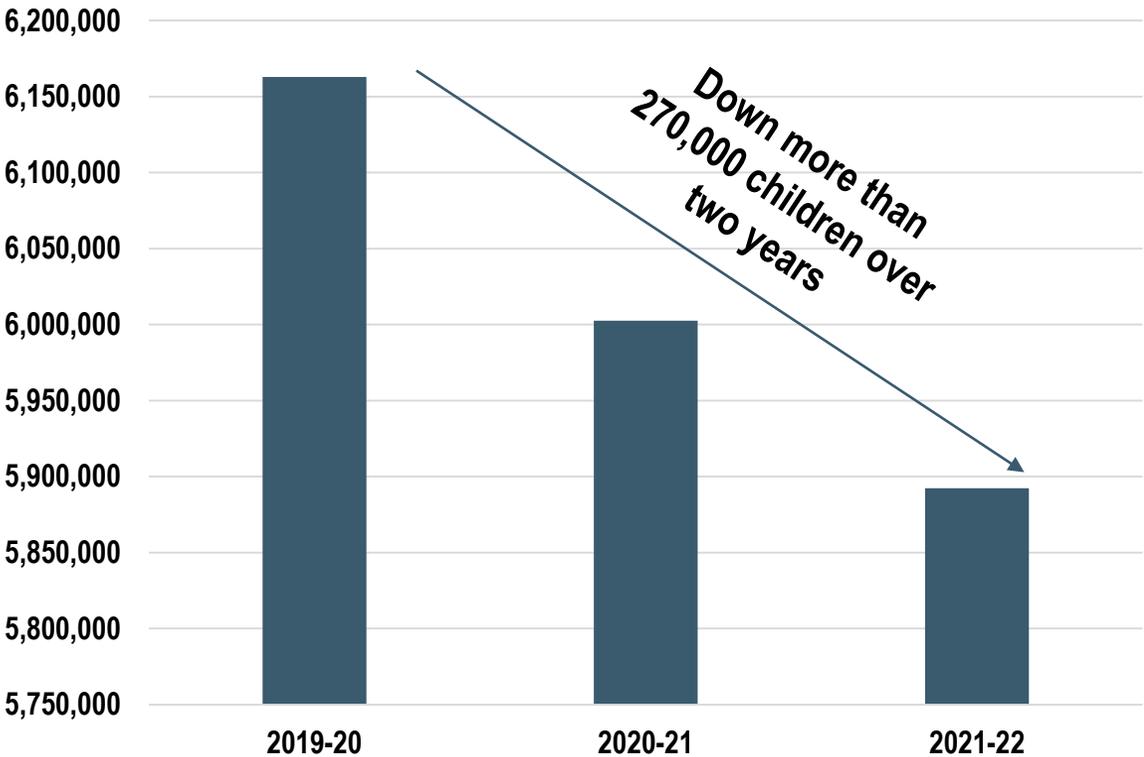
- Funds will offset LEAs' outstanding mandate reimbursement claims on a dollar-for-dollar basis
- There is intent language that this funding be used to address student learning challenges, protect staff levels, and support the mental health and wellness of students and staff
  - It is important to remember that intent language does not have the force of law

# 2022-23 ADA “Cliff”

■ The ADA “Cliff” has become a two-headed monster—the combination is significant

## Declining Enrollment

K-12 Enrollment



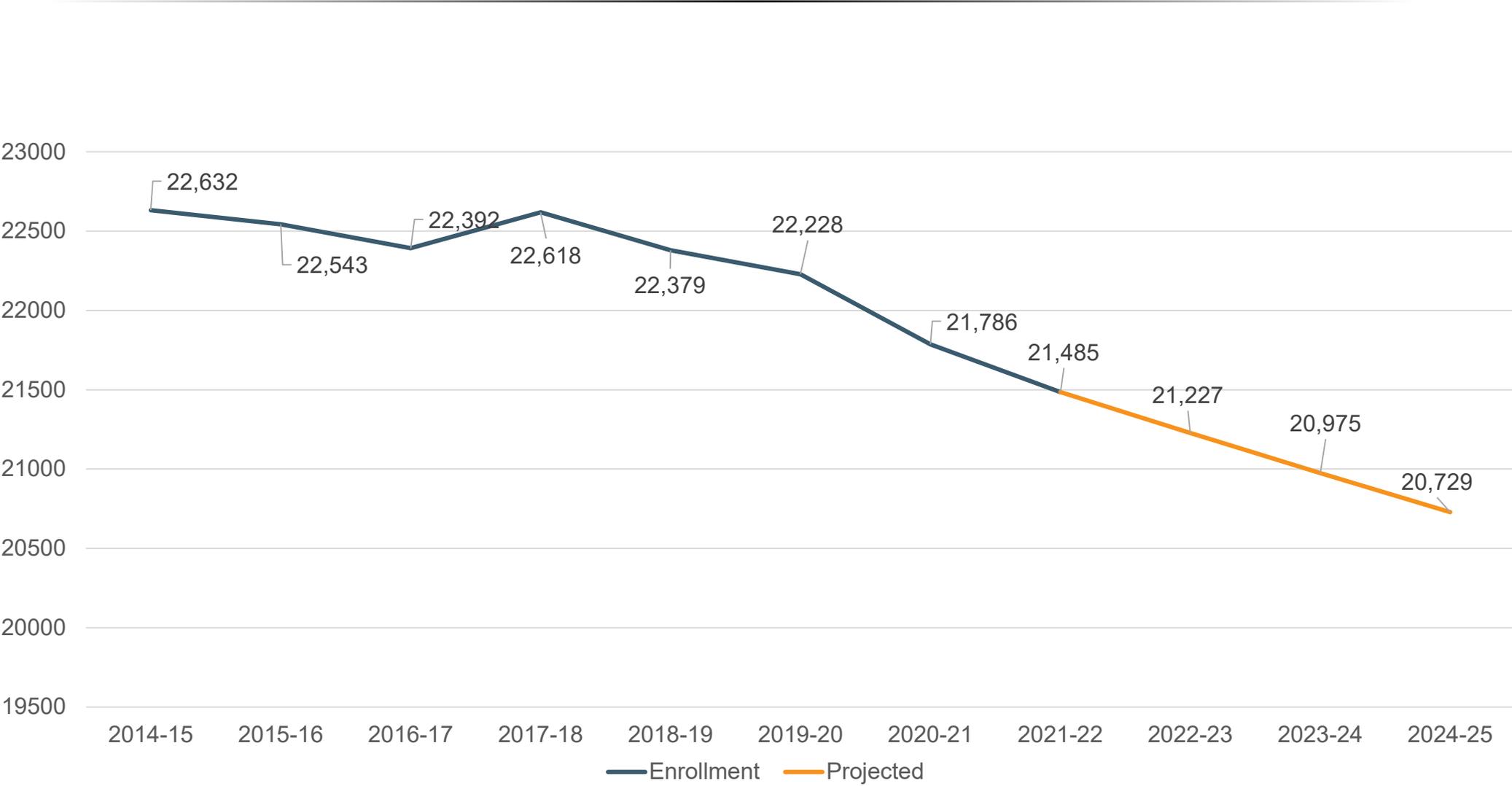
Source: DOF Demographic Research Unit

## ADA-to-Enrollment Percentage

■ The rate at which children are attending school is on the decline

- Quarantine/illness
- Independent study
- Unsigned master agreements
- Homework not returned in a timely manner
- Audit findings on the rise?

# WSHUHSD Enrollment Trends & Projections



# What Does This Mean for WSHUHSD?

Multi Year Projections General Fund		2022-23	2023-24	2024-25
Unrestricted_Restricted		Projected	Projected	Projected
1	Total Revenues	277,065,415	278,860,392	283,728,063
2	Expenditures, Transfers & Interfund Transfers	302,814,526	297,062,040	299,192,384
3	Excess/(Deficit)	(25,749,111)	(18,201,648)	(15,464,321)
4	Beginning Fund Balance	91,082,078	65,332,967	47,131,319
5	Ending Fund Balance	65,332,964	47,131,319	31,666,998
6	Components of Ending Fund Balance			
7	Nonspendable	0	0	0
8	Restricted	10,215,653	7,667,667	7,474,928
9	Committed	26,323,395	9,757,448	0
10	Assigned	0	0	0
11	Reserve for Economic Uncertainties	9,064,436	8,911,861	8,975,772
12	Unassigned/Unappropriated	19,709,483	20,794,342	15,216,298

# Statewide Average Reserve Levels

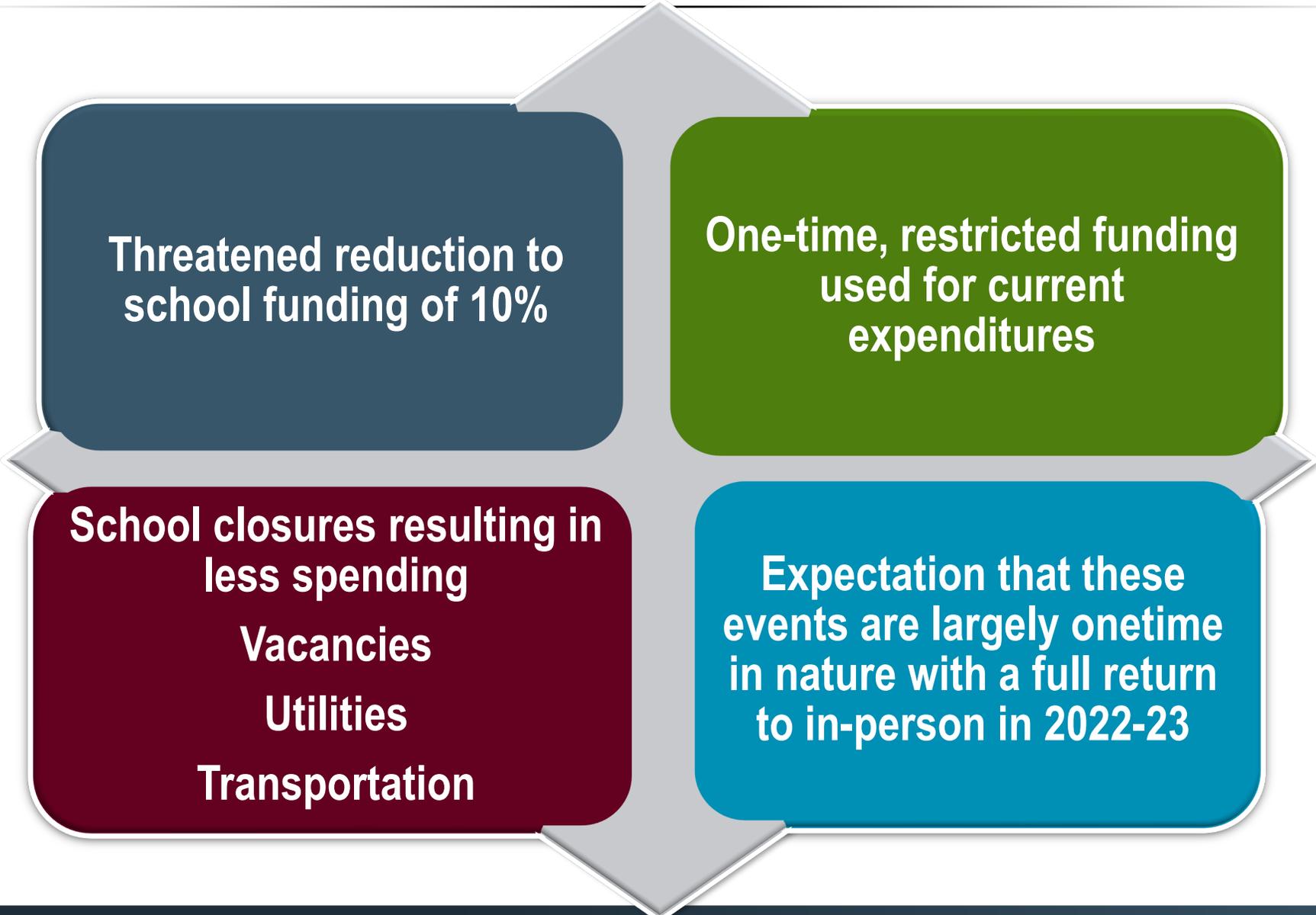
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# Factors Impacting Statewide Average Reserve Levels



# Reserve Cap

- **Senate Bill (SB) 751 (Hill, Statutes of 2017) sets the threshold for triggering the cap on district reserves and the limits of how much school districts can maintain in their local reserves**

**Caps district reserves at 10% using assigned/unassigned ending balance of General and Special Reserve For Other Than Capital Outlay Fund**

**Commit Fund Balance**  
Unspent supplemental grant funds, Technology refresh, Textbook adoption, Pension obligations, etc...

# Next Steps

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- **The CA State Legislature and Governor have significant differences in some key funding areas**
  - **This will be resolved via budget adoption in June & an education trailer bill in July**
    - **Some of those areas include:**
      - **Additional Funding**
        - **Home to School student transportation**
        - **Additional increases, above statutory COLA to the LCFF per pupil base funding**
        - **Adding homeless students to unduplicated pupil definition**
        - **Change to definition of poverty rate**
        - **Additional discretionary one time funds**
      - **Reject Governors proposals for:**
        - **Special Education allocation model, deferred maintenance funds, and community school funds**
  - **District staff will present a revised budget for board adoption at the September 14<sup>th</sup> Board Regular Board Meeting**