

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



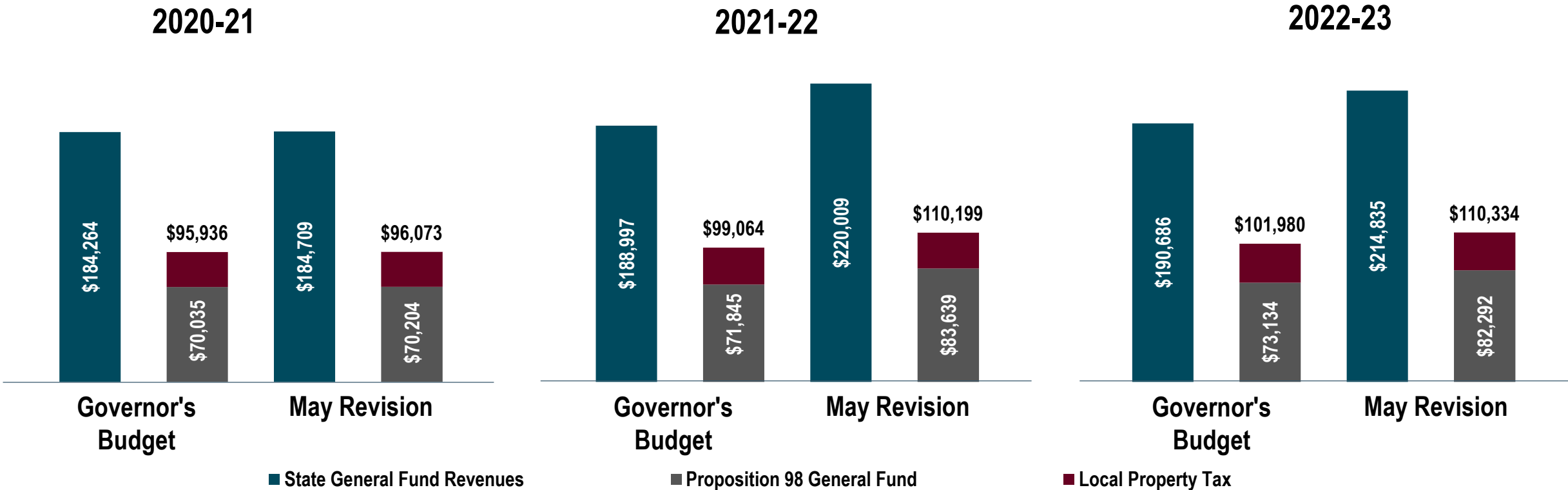
General Fund Budget Summary

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

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

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

- 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

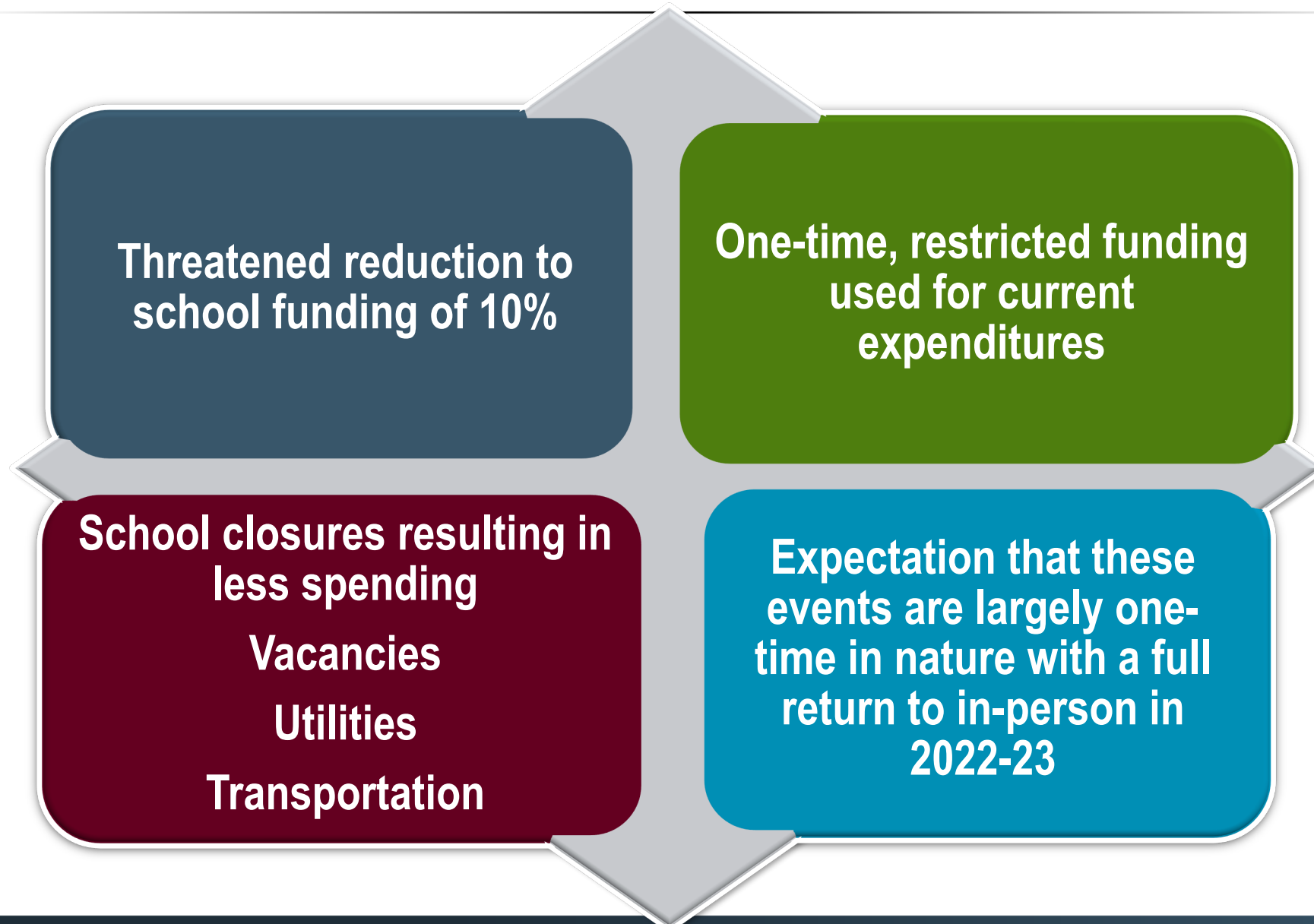
- The latest statewide data on school district reserves is available for 2020 -21
 - Unrestricted fund balances increased tremendously

| Average Unrestricted General Fund, Plus Fund 17, Ending Balances ¹ | | | |
|---|---------|---------|------------|
| | 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% |

¹As 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



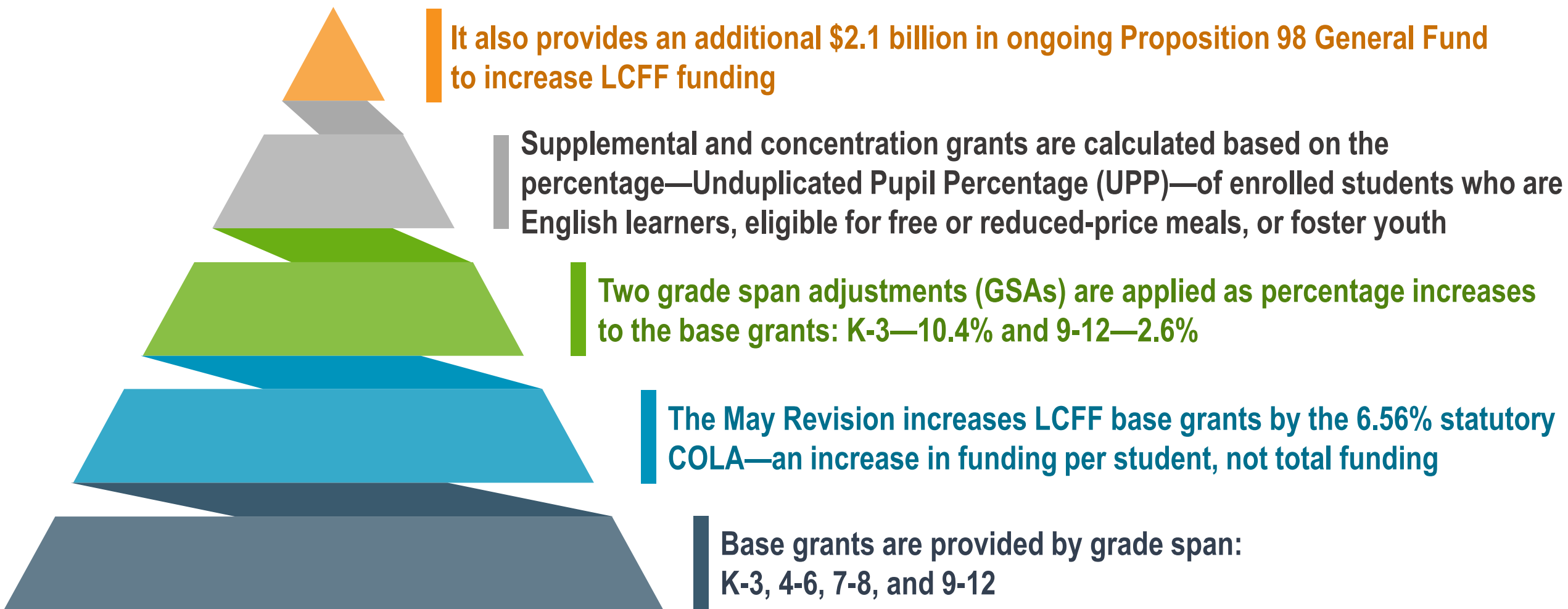
Governor's Budget vs. May Revision

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

¹Local Control Funding Formula (LCFF)

²Cost-of-living adjustment (COLA)

2022-23 LCFF Funding Factors



SSC Financial Projection Dartboard

- 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 |
| DOF ¹ Estimated COLA | 5.33% | 6.56% | 3.61% | 5.38% | 3.64% | 4.02% |

¹Department 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

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

¹Average daily attendance (ADA)

²School 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



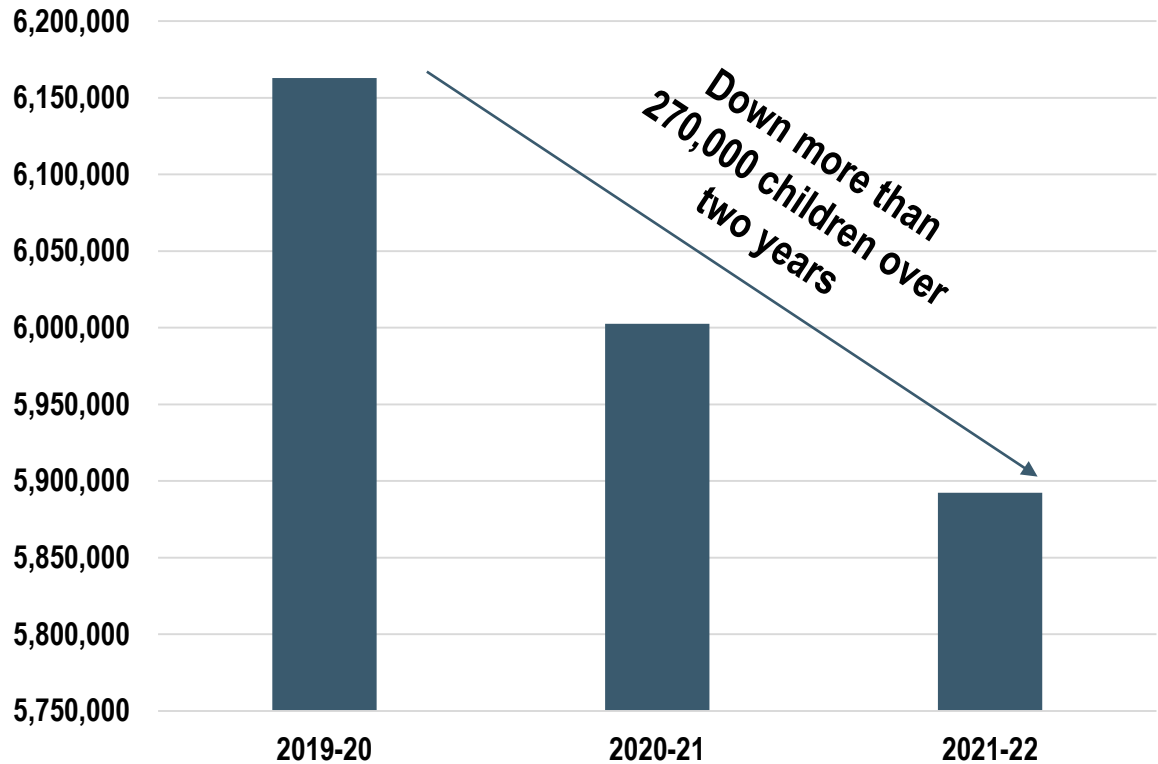
- Funds will offset LEAs' outstanding mandate reimbursement claims on a dollar-for-dollar basis
- There is intent language that this funding be used to address student learning challenges, protect staff levels, and support the mental health and wellness of students and staff
 - It is important to remember 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



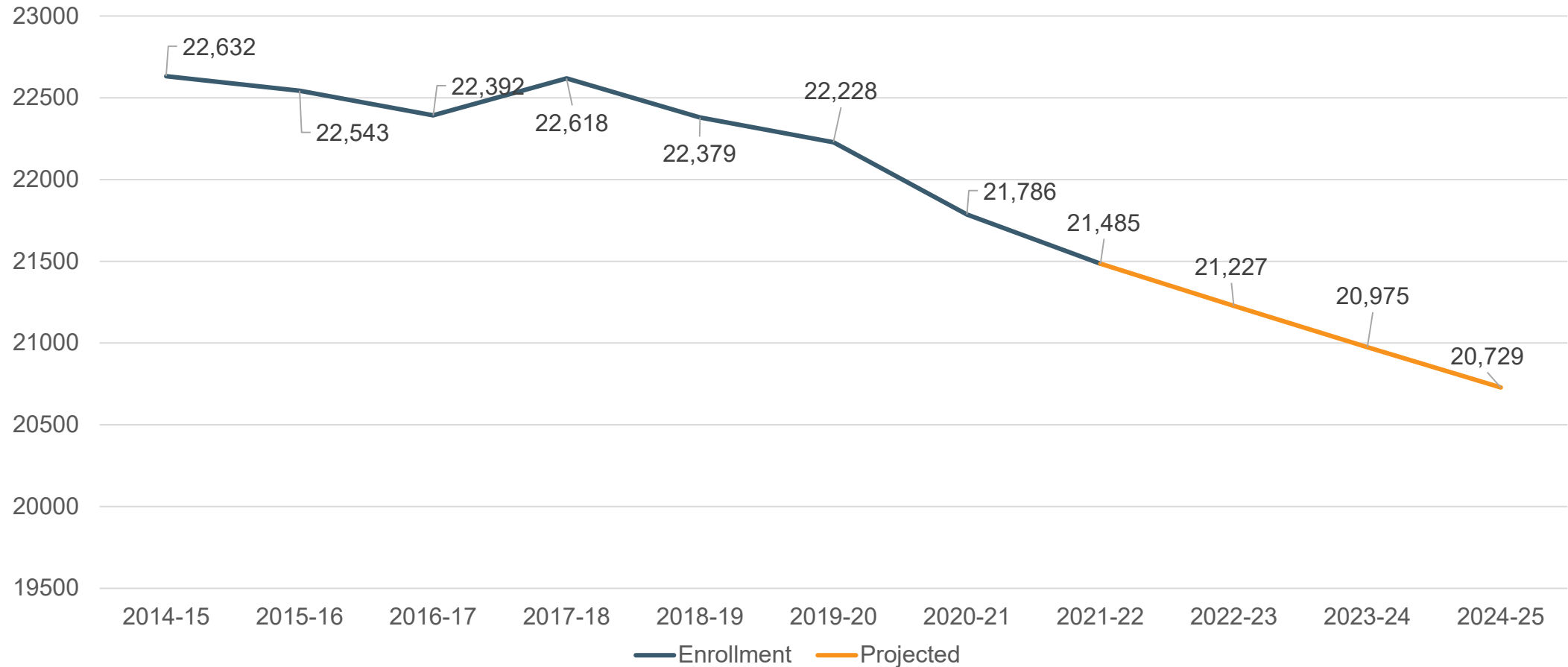
Source: DOF Demographic Research Unit

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 Unrestricted_Restricted | | 2022-23 Projected | 2023-24 Projected | 2024-25 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

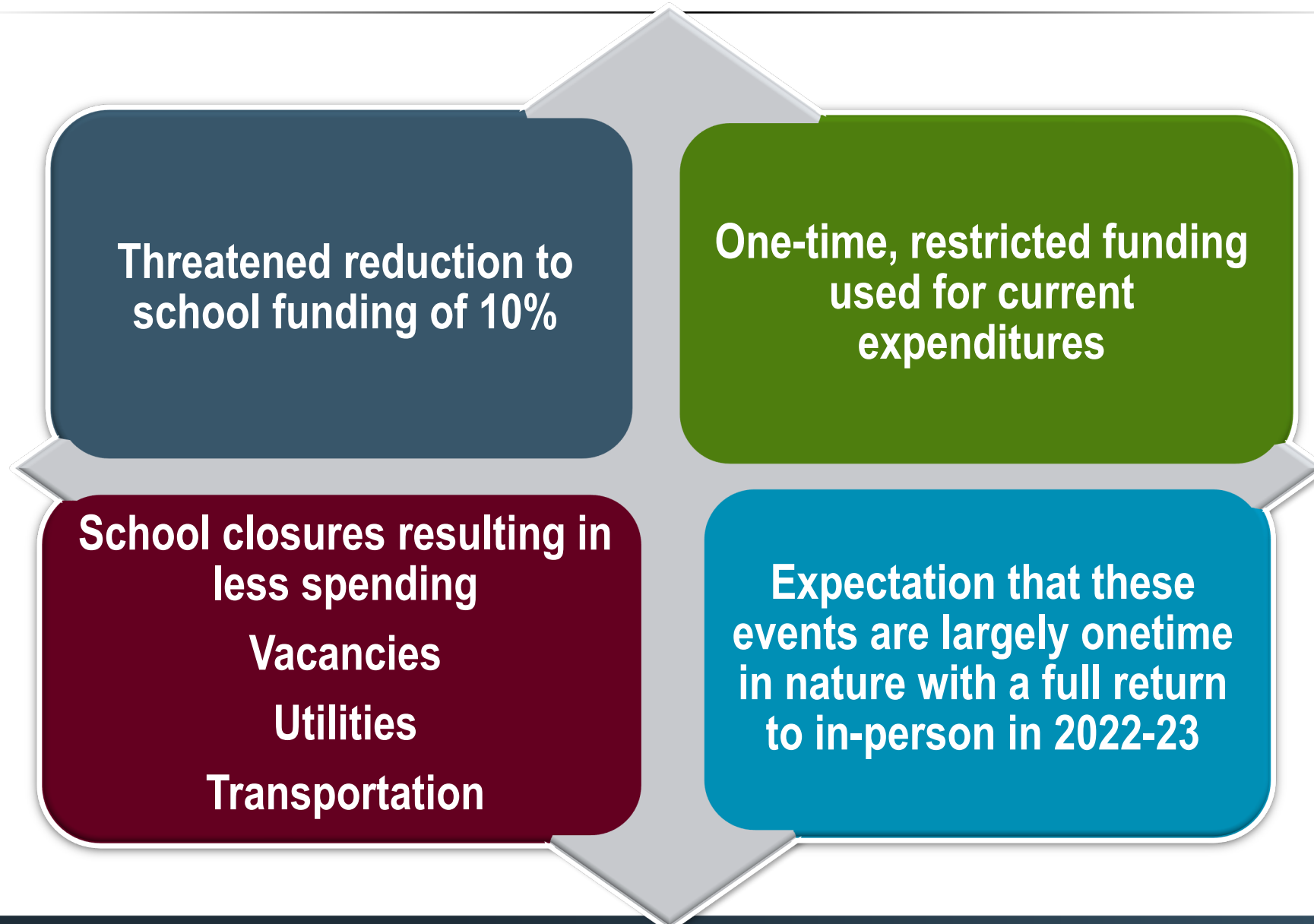
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Factors Impacting Statewide Average Reserve Levels



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

- **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 14th Board Regular Board Meeting**