

2022-23 ADOPTED BUDGET

BOARD OF EDUCATION


JUNE 14, 2022



*Presented by:
Shannon Hayes, Chief Financial Officer
Finance & School Support*

OVERVIEW

- Components of the May Revision
- Reserve Cap
- Local Control Funding Formula
- 2022-23 Changes to Fund Balance
- Education Protection Act
- 2022-23 Unrestricted General Fund Multi-Year Projections
- Other Items for Consideration
- 2022-23 Restricted General Funds and Other Funds

COMPONENTS OF THE MAY REVISION

- The May Revision proposes a 6.56% statutory cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF) as well as certain categoricals and Special Education AB602 Funding Formula
- There is a significant variance between the Governor’s January Budget Proposal and the May Revision

Item	Governor’s Budget	May Revision
LCFF 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	5.33%	6.56%
One-Time Discretionary Funds	\$0	\$8 billion

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

THE MAY REVISION AND ITS EFFECTS ON YOUR LOCAL AGENCY

- As always, the Governor's May Revision is the keystone to drafting your LEA's 2022-23 budget
 - But the Governor is just one voice in the state's 2022-23 budget, and he cannot pass the budget alone



Assembly's Blueprint



Senate's Putting Wealth to Work Plan

- While it is important to know which investments could change and in what direction, we continue to recommend budgeting based on the



Governor's May Revision

2022-23 LCFF FUNDING PROPOSALS

	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">May Revision</p>	<ul style="list-style-type: none"> • Provides an additional \$2.1 billion in ongoing Proposition 98 General Fund to increase LCFF funding <ul style="list-style-type: none"> • Applied through the existing formula, which subsequently increases the GSAs, as well as supplemental and concentration grants
	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Assembly</p>	<ul style="list-style-type: none"> • Assembly Bill (AB) 1948 (Ting, D-San Francisco)—15% COLA for LCFF <ul style="list-style-type: none"> • Increases LCFF funding by approximately \$5.6 billion • Increases number of students identified as low-income
	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Senate</p>	<ul style="list-style-type: none"> • \$5 billion, growing to \$10 billion by 2024-25, for a permanent ongoing increase

2022-23 LCFE FUNDING PROPOSALS

- There are significant variances between the Governor's May Revision and the joint Legislative Budget proposal
 - These alternative proposals have significant implications for the District's budget
 - These proposals have the very real possibility of dramatically affecting the District's ending fund balance and requirements pertaining to the 10% reserve cap
 - Based on the ultimate State budget, the Board will have to take action on a 45 Day Budget Revision, likely to be more significant than at any time in the District's history

CONFLICTING INTERESTS/PRIORITIES

- The May Revision proposes a \$2.1B augmentation to the LCFF Base
 - The Legislature proposes a \$4.5B augmentation to the LCFF Base
- The May Revision proposes an \$8B one time block grant to account for increased operational expenses and protecting staffing levels, student learning challenges and mental health
 - The Legislature proposes an \$8.5B one time block grant, which may only be used for salaries, benefits, and pension contributions
- The May Revision proposes COVID ADA relief for 2021-2022
 - The Legislature rejected this proposal
- The Legislature adds homeless students to the UPP count
- The Legislature increases the poverty threshold for the UPP count
- The Legislature proposes \$1.2B for transportation with mandates
- And Much More!

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

Exempts basic aid districts and districts with fewer than 2,501 ADA

STATEWIDE AVERAGE RESERVE LEVELS

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

RESERVE CAP ACTIONS

- With the revised deposits in the Proposition 98 reserve exceeding 3.0% of K-12 Proposition 98 funding
 - Reaching 4.0% of funding in 2020-21 and 7.8% in 2021-22
 - In 2022-23, the account reaches 10% of K-12 funding
- The Constitution limits a Districts Assigned and Undesignated the reserve to 10% in any fiscal year
- With the cap in place for 2022-23 we are recommending to the board to move the \$6M in Professional Development pursuant to labor agreements to Committed and \$7.9M for the loss of Unduplicated Pupils to Committed

WHAT DOES THE LCFF MEAN FOR ELK GROVE?

Elk Grove Unified School District—2022–23		
2022–23 LCFF Per-ADA Funding	Projected 2022–23 ADA	Projected 2022–23 LCFF Total Revenue
\$10,711	59,331.57	\$635,495,449

We are estimating \$23,212,266 in new ongoing revenue over 2021-22

2022-23 UNRESTRICTED GENERAL FUND CHANGES

- Revenue Changes
 - Local Control Funding Formula (LCFF) COLA 6.56% up from 5.33%
 - Increase in Special Education Funding (AB 602) for a base rate increase from \$715 to \$820 per ADA
- Expenditure Changes
 - Increase in Cal-PERS employer contribution rates 25.37% up from 22.91%
 - Year two implementation of COVID Relief Funding (AKA ESSER Plan)
 - Implementation of Universal Transitional Kindergarten with a student to staffing ratio of 12:1
 - Additional Teacher FTE for Independent Study

EDUCATION PROTECTION ACCOUNT PROPOSITIONS 30 & 55

- Proposition 30 was approved by California voters in 2012, temporarily raising certain tax rates to provide additional financial support for public schools
- In 2016, Proposition 55 extended Prop 30 through 2030
- Prop 30/55 revenues are redirected from the Districts LCFF and placed into a unique account
- Funds must be spent on classroom expenses and may not be used for administrative costs
- For the 2022-23 school year to satisfy this requirement we are recommending applying teacher salaries and benefits from grades TK-6. (\$160 million)

2022-23 GENERAL FUND UNRESTRICTED MULTI-YEAR BUDGET PROJECTION

ITEM	2022-23 PRELIMINARY ADOPTED BUDGET	2023-24	2024-25
State Revenue	\$ 650,884,266	\$ 651,043,126	\$ 651,043,126
Estimated 2023-24 (5.38%)		33,689,622	33,689,622
Estimated 2024-25 (4.02%)			21,631,638
Contributions/Transfers	(115,625,388)	(119,919,912)	(123,544,640)
Salary and Benefits	(498,539,192)	(501,992,851)	(511,645,600)
Supplies and Operating	(57,964,405)	(58,631,732)	(59,157,192)
Indirect and Transfers	10,440,353	8,408,493	8,641,950
<i>SURPLUS/(DEFICIT)</i>	\$ (10,804,366)	\$ 12,596,746	\$ 20,658,904
Estimated Beginning Fund Balance	109,227,877	98,423,511	111,020,257
Ending Fund Balance	98,423,511	111,020,257	131,679,161
Contingency Mandated 2% Reserve	19,589,844	18,589,844	18,989,844
Anticipated Loss of UPP	7,916,697	7,916,697	7,916,697
Professional Development	6,000,000	6,000,000	6,000,000
<i>UNDESIGNATED</i>	\$ 64,916,970	\$ 78,513,716	\$ 98,772,620

OTHER ITEMS FOR CONSIDERATION

- Enrollment trends for both ADA purposes and for supplemental/concentration funding
- Maintenance of Effort (MOE) for Special Education
- Reserve Cap Requirements and Considerations
- Food and Nutrition Services Contribution
- ESSER Plan Positions
- **45 Day Revision**

2022-23 ADOPTED BUDGET

RESTRICTED GENERAL FUND

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ 103,366,904	The Restricted General Fund (Fund 01) is an aggregate of several funding sources distributed by the federal, state, and local governments. These programs include Title I, II, III, etc., after school programs (Prop 49 - ASES), Lottery (Prop 20) , Special Education, and RRM. Contributions are made from the unrestricted general fund to support Special Education and Routine Restricted Maintenance (RRM).
State/Other Local Revenue	107,760,379	
Contributions/Transfers	113,684,203	
Salary and Benefits	(255,451,709)	
Supplies and Operating	(65,643,240)	
Indirect and Transfers	(13,994,048)	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ (10,277,511)</i>	
Estimated Beginning Fund Balance	38,700,617	
Ending Fund Balance	28,423,106	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	28,423,106	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

2022-23 ADOPTED BUDGET

CHARTER SCHOOLS FUND (09)

ITEM	AMOUNT	DESCRIPTION
LCFF Revenue	\$ 2,851,247	The Charter Schools Fund (09) provides classroom and independent study instructional services to students at the district-sponsored Elk Grove Charter School.
State/Other Local Revenue	214,985	
Contributions/Transfers	-	
Salary and Benefits	(2,603,245)	
Supplies and Operating	(369,842)	
Indirect and Transfers	(84,426)	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ 8,719</i>	
Estimated Beginning Fund Balance	5,477,897	
Ending Fund Balance	5,486,616	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	5,486,616	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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ADULT EDUCATION FUND (11)

ITEM	AMOUNT	DESCRIPTION
LCFF Revenue	\$ 388,765	<p>Adult Education Fund (11) is a public education program for all adults returning to complete their high school education. Through Federal grant funds, the new State Block Grant funds, and fee-based programs, offering free to low-cost classes for adults 18 and older. Students can earn a high school diploma, general education diploma (GED), learn about jobs, learn to speak English, and learn how to become a U.S. citizen. The department also provides services to Sacramento County jail inmates in coordination with the Sacramento County Sheriff's Department.</p>
Federal Revenue	1,381,973	
State/Other Local Revenue	3,810,699	
Contributions/Transfers	-	
Salary and Benefits	(4,478,238)	
Supplies and Operating	(969,971)	
Indirect and Transfers	(186,507)	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ (53,279)</i>	
Estimated Beginning Fund Balance	2,664,449	
Ending Fund Balance	2,611,170	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	2,611,170	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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CHILD DEVELOPMENT FUND (12)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ 4,455,885	The Child Development Fund (12) records revenue and expenses for our general education preschool programs. Sources include Federal Head Start contract from SETA, State Preschool and First 5 preschool support contract.
State/Other Local	2,622,864	
Contributions/Transfers	240,990	
Salary and Benefits	(6,000,824)	
Supplies and Operating	(1,001,652)	
Indirect and Transfers	(317,263)	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ -</i>	
Estimated Beginning Fund Balance	555,565	
Ending Fund Balance	555,565	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	555,565	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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CAFETERIA SPECIAL REVENUE FUND (13)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ 25,542,611	The Cafeteria Special Revenue Fund (13) provides for approximately \$8 million school breakfasts and lunches, served to students and staff. The department also provides ala carte food and beverages at secondary schools, and nutritious snacks for several district programs. This program has been awarded the contract to provide summer lunches and snacks for the U.S. Department of Agriculture, Summer Feeding Program.
State/Other Local Revenue	2,488,663	
Contributions/Transfers	1,700,195	
Salary and Benefits	(14,042,216)	
Supplies and Operating	(14,842,940)	
Indirect and Transfers	(846,313)	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ -</i>	
Estimated Beginning Fund Balance	6,333,768	
Ending Fund Balance	6,333,768	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	6,333,768	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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BUILDING FUND (21)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Building Fund (21) is established to account for Measure M bond transactions. Specifically Fund 21 is the fund where proceeds from the sale of Measure M bonds are deposited.
State/Other Local Revenue	-	
Contributions/Transfers	-	
Salary and Benefits	-	
Supplies and Operating	131,710,243	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ 131,710,243</i>	
Estimated Beginning Fund Balance	131,810,564	
Ending Fund Balance	100,321	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	100,321	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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CAPITAL FACILITIES FUND (25)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Capital Facilities Fund (25) is used primarily for revenue received from fees levied as a condition of approving development.
State/Other Local Revenue	9,000,000	
Contributions/Transfers	-	
Salary and Benefits	(489,270)	
Supplies and Operating	(251,292)	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ 8,259,438</i>	
Estimated Beginning Fund Balance	25,083,266	
Ending Fund Balance	33,342,704	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	33,342,704	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

2022-23 ADOPTED BUDGET COUNTY SCHOOL FACILITIES CONSTRUCTION FUND (35)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The County School Facilities Construction Fund (35) is established for apportionments from the State School Facilities Fund authorized by the State Allocation Board (SAB) for new school facility construction, modernization projects, facility hardship grants, and district match. Typical expenditures in this fund are payments for the costs of sites, site improvements, buildings, building improvements, and furniture and fixtures capitalized as a part of the construction project.
State/Other Local Revenue	-	
Contributions/Transfers	-	
Salary and Benefits	-	
Supplies and Operating	(35,309,779)	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ (35,309,779)</i>	
Estimated Beginning Fund Balance	35,342,107	
Ending Fund Balance	32,328	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	32,328	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS

FUND (40)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Special Reserve for Capital Outlay Projects Fund (40) exists for capital outlay purposes. Currently this fund accounts for revenue and expenditures related to Proposition 39.
State/Other Local Revenue	-	
Contributions/Transfers	-	
Salary and Benefits	-	
Supplies and Operating	-	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ -</i>	
Estimated Beginning Fund Balance	2,199,804	
Ending Fund Balance	2,199,804	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	2,199,804	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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CAPITAL PROJECTS FUND (49)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Capital Projects Fund (49) is used to account for capital projects financed by our Mello-Roos Community Facilities District.
State/Other Local Revenue	-	
Contributions/Transfers	-	
Salary and Benefits	(2,771,166)	
Supplies and Operating	(15,646,140)	
Indirect and Transfers	2,618,980	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ (15,798,326)</i>	
Estimated Beginning Fund Balance	22,850,067	
Ending Fund Balance	7,051,741	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	7,051,741	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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BOND INTEREST & REDEMPTION FUND (51)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Bond Interest & Redemption (51) is established to account for Measure M bond transactions. Specifically Fund 51 is the fund where any premiums or accrued interest received from the sale of Measure M bonds are deposited.
State/Other Local Revenue	20,027,794	
Contributions/Transfers	-	
Salary and Benefits	-	
Supplies and Operating	(20,027,794)	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ -</i>	
Estimated Beginning Fund Balance	11,814,564	
Ending Fund Balance	11,814,564	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	11,814,564	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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DEBT SERVICE FUND (52)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Debt Service Fund (52) is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities District.
State/Other Local Revenue	16,449,362	
Contributions/Transfers	(2,618,980)	
Salary and Benefits	-	
Supplies and Operating	(13,838,374)	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ (7,992)</i>	
Estimated Beginning Fund Balance	18,163,290	
Ending Fund Balance	18,155,298	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	18,155,298	
<i>UNDESIGNATED</i>	<i>\$ -</i>	

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SELF INSURANCE (67)

ITEM	AMOUNT	DESCRIPTION
Federal Revenue	\$ -	The Self-Insurance Fund (67) contains all of the current year activity and reserves for our self-insured workers' compensation program. The 2022-23 rate applied to all salaries is budgeted at 1.75%.
State/Other Local Revenue	-	
Contributions/Transfers	-	
Salary and Benefits	(617,170)	
Supplies and Operating	-	
Indirect and Transfers	-	
<i>SURPLUS/(DEFICIT)</i>	<i>\$ (617,170)</i>	
Estimated Beginning Fund Balance	6,035,182	
Ending Fund Balance	5,418,012	
Contingency Mandated 2% Reserve	-	
Restricted Reserves	-	
<i>UNDESIGNATED</i>	<i>\$ 5,418,012</i>	

NEXT STEPS

- 2022-23 Elk Grove Adopts Budget June 28, 2022
- 2022-23 Final State Budget ?? (June 30, 2022)
- *2022-23 45 Day Revise ?? (July 19, 2022 / August 9, 2022)*
- 2021-22 Unaudited Actuals September, 2022
- 2022-23 1st Interim December, 2022
- 2023-24 Governor's January Proposal January, 2023