

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Dr. Donald Evans, Interim Superintendent
Ruth Alahydoian, Chief Financial Officer

PRESENTERS: Ruth Alahydoian, Chief Financial Officer

DATE: May 24, 2023

RE: **INFORMATION ON THE GOVERNOR'S MAY REVISION FOR THE 2023-24 BUDGET**

PURPOSE: To provide an update on the Governor's May Revision to the 2023-24 State Budget and its impact on the District's 2023-24 Budget.

BACKGROUND: On May 12, 2023, the Governor released the May Revision to his proposed budget (the May Revise). The District will be required to use the proposals of the May Revision in budget development because the District must approve a budget before the Legislature and Governor conclude negotiations and adopt the State budget.

The May Revision identifies the deficit in State revenues for 2023-24 at \$31.5 billion. The Governor proposes to address part of this deficit by pulling back one-time funds that have already been allocated to school districts. With the deadline for paying 2022 State income taxes extended to October 16, 2023, the State may need to make further cuts later in the year, depending on how accurate the projections are. The Governor did not mention a recession, but the Legislative Analyst's Office has signaled that the Governor's projections for revenues are overestimated. The Governor's May Revision proposes the following changes to public education funding that have an impact on the Piedmont USD budget projection for 2023-24:

COLA: The Cost of Living Adjustment (COLA) is determined by a fixed, statutory formula. The Governor and the Legislature can determine whether to fund all of it or not. The COLA for 2023-24 is 8.22%. This rate is applied to the Local Control Funding Formula, Special Education funding, and various other programs that are considered ongoing.

- **LCFF** - For PUSD, the 8.22% increase in COLA increases LCFF funds by \$1.0 M. However, the difference from budget projections at the 2nd Interim report in March is **-\$28 K**. This is the combination of an adjustment to LCFF for attendance (decline of \$50 K) and the increase in the COLA (increase of \$22 K).

Reduction to Already Apportioned Block Grants: The Governor has proposed clawing back one-time funds that were apportioned to school districts in the 2022-23 State Budget.

- **AMIM Block Grant** - the Governor's January proposal was to take back 30% of this discretionary grant given to districts as part of the 2022-23 budget. The May Revision proposes to take back 50%. For Piedmont, the grant of \$1.5 million would be **reduced by \$750 K**.
- **Learning Recovery Emergency Block Grant** - The Governor proposes to take back 30% of this one-time grant awarded to districts in 2022-23. For Piedmont, the \$167 K grant would be **reduced by \$50 K**.
- Because the District has already received these funds, and spent them, the claw-back requires that **\$800 K** be set-aside in the Ending Fund Balance until the State figures out how to recapture these funds.

Other items:

- **Universal Meals and Transitional Kindergarten** will continue to be fully funded.
- Due to uncertainty about the implementation requirements for the Proposition 28 grant for Arts Education, the funding estimate of **\$267 K** will be taken out of the budget for 2023-24.

The following summary projection of the District's budget for 2023-24 incorporates the fund balance update from the 3rd Interim Report and the information available through the May Revision. It is still an estimate and will be further refined by the time the budget is presented in June.

2023-24 Budget Projections from:		2nd Interim	May Revise	Difference
Beginning Balance		\$1,677,332	\$2,343,706	\$666,374
	Revenues	52,002,007	51,155,723	(846,284)
	Expenditures	(51,371,490)	(50,732,260)	639,230
	Rev-Exp = Surplus(Deficit)	630,517	423,463	(207,054)
Ending Fund Balance		2,307,849	2,767,169	459,320
	3% Reserve Requirement	1,541,145	1,521,968	(19,177)
	Less Restricted + Rev Cash	414,660	482,086	67,426
	Less Measure H reserved for CSEA	320,872	320,872	0
	Less AMIM & LR Grants held back	451,012	805,160	354,148
	Over (Under) Reserve	(419,840)	(362,917)	56,923

The presentation attached to this board item includes additional information from the presentation by School Services of California on the Governor's budget.

NEXT STEPS: The District will continue to prepare the budget for 2023-24 with the revised information and guidance from the Alameda County Office of Education. The budget will be presented to the Board for a public hearing on June 14, 2023.

RECOMMENDATION: No action required; information item only.