

SRCS 2023-24 Third Interim & Information on the 2024-25 Governor's May Revision

May 22, 2024

Lisa August, Associate Superintendent Business Services

Joel Dontos, Executive Director Fiscal Services



Presentation Items

- The Annual Budget Reporting Cycle
- Information on the 2024-25 Governor's May Revision
- Overview SRCS 2023-24 Third Interim
- SRCS 2023-24 Third Interim Budget Assumptions
- SRCS 2023-24 Third Interim General Fund 01 Revenues & Expenditures
- SRCS 2023-24 Third Interim General Fund 01 Multi-Year Projection
- Areas to Monitor
- Next Steps

The Annual Budget Reporting Cycle



May
3rd Interim Financial Report (If Qualified at 2nd)

March
2nd Interim Financial Report

Feb. to June
SRCS Next Year LCAP & Budget Planning & Development

February
LCAP Mid Year Update

May
Governor's May Revise (For next year)

June
LCAP & Budget Adoption

June
Enacted State Budget

August
45 Day Budget Update

September
Unaudited Actuals (prior year)

December
1st Interim Financial Report

January
Governor's Budget Proposal (For next year)

January
Audit Report (prior year) (without extension)



Each Fiscal Year
July 1 - June 30



An Overview of the 2024-25 Governor's May Revision

- On May 10th, the Governor's May Revision initial brief summary was released. The May Revision's announcement provided fewer answers than expected, and additional details were released in the form of "Finance Letters" the evening of the statutory deadline, May 14th.
- The Governor's 2024-25 May Revision revised the January 2024-25 Budget shortfall of \$37.9 billion to grow by ~\$7.0 billion to a combined shortfall of ~\$45 billion.
- To address the shortfall the Governor and the Legislature passed an early action budget packet in April which solves ~\$17.3 billion of the deficits leaving the May Revision with a \$27.6 billion budget problem.
- The Governor's January proposal included solutions totaling \$37.9 billion which now the May Revision builds upon with the early action budget packet plus an additional \$8.2 billion in solutions/adjustments. It's \$8.2 billion to address the additional \$7.0 billion shortfall and an erosion of \$1.2 billion in the Governor's January Budget solutions.

An Overview of the 2024-25 Governor's May Revision

Comparison of January's Proposal to the Current May Revision Proposals:

Governor's Budget 2024-25 Solutions		Additional May Revision 24-25 Solutions and Adjustments		Combined Solutions and Adjustments = May Revision Solutions	
Category	Amount	Category	Amount	Category	Amount
Reserves	\$13.1 billion	Reserves	-\$8.9 billion	Reserves	\$3.3 billion
Reductions	\$8.5 billion	Reductions	\$10.7 billion	Reductions	\$19.2 billion
Revenue/Borrowing	\$5.7 billion	Revenue/Borrowing	\$2.0 billion	Revenue/Borrowing	\$7.7 billion
Delays	\$5.1 billion	Delays	\$520 million	Delays	\$5.62 billion
Fund Shifts	\$3.4 billion	Fund Shifts	\$3.9 billion	Fund Shifts	\$7.3 billion
Deferrals	\$2.1 billion	Deferrals	0	Deferrals	\$2.1 billion
Total	\$37.9 billion	Total	\$8.2 billion	Total	\$45.2 billion

An Overview of the 2024-25 Governor's May Revision

- As the details of the May Revision are still pending, the following proposed reductions to education for 2024-25 and 2025-26 are known:
 - Learning Aligned Education Program – Reducing \$485 million one-time
 - Golden State Teacher Grant Program – Reducing \$60.2 million one-time support
 - Middle-Class Scholarship Program Reduction of \$510 million ongoing
 - California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program – “Pull back” investment of \$550 million planned in 2025-26
 - Children and Youth Behavioral Health Initiative – Reduction of one-time \$72.3 million in 2023-24, \$348.6 million in 2024-25, and \$5 million in 2025-26
 - School Facilities Aid Program – Eliminating the remaining \$375 million
 - Preschool Inclusivity – Eliminating planned ongoing investments of \$47.9 million in 2025-26 and \$97.9 million in 2026-27 starting in 2026-27

Key Elements

- TK-12 Base Program Budget is Sheltered from Major Cuts
 - Controversial Proposition 98 manipulation
 - Rainy Day Fund Withdrawals
 - Avoids Deferrals
 - Equity Multiplier - Does Not Apply to SRCS
 - Universal Meals Continues
 - Expanded Learning Opportunities Program (ELOP)
 - Additional Spending and Reporting Requirements
 - Attendance Recovery Options Delayed
 - Independent Study/Instructional Continuity/Remote Learning
 - Updates to Policy Will be Required
 - Implementation Delayed Until 25/26

An Overview of the 2024-25 Governor's May Revision

- COLA increased by January's estimate of 0.76% to 1.07%.
- COLA is proposed to be funded for schools in 2024-25.
- Budget shortfalls continue to be a multiyear problem.
 - May Revision includes \$28.4 billion in Budget Solutions and Adjustments from the 2025-26 fiscal year.

Overview SRCS 2023-24 Third Interim

Education Code Section 42130: Requires that school districts certify to the State the fiscal stability of the District. Districts must demonstrate they can meet their fiscal obligations for the current year and two years out. The reports must be presented to and approved by the District's Governing Board no later than 45 days after the close of the report period.

- 1st Interim, covers actual expenditures and actual revenues from July 1 through October 31, and updates projections for the balance of the year
- 2nd Interim, covers actual expenditures and actual revenues from July 1 through January 31, and updates projections for the balance of the year
- If needed due to Qualified Certification at 2nd Interim, 3rd Interim, covers actual expenditures and actual revenues from July 1 through April 30, and updates projects for the balance of the year
 - A Third Interim is a more condensed version of the First or Second Interim and does not include a certification

2023-24 Third Interim Assumptions

District Enrollment and Average Daily Attendance (ADA) Data Assumptions used in Third Interim
(Does not include Charter Schools):

	2023-24	2024-25	2025-26
District Enrollment	12,934	13,024	12,895
District ADA	11,822	11,907	11,788
District Funded ADA (hold harmless: greater of current, prior year, or three year prior average)	12,640	12,140	11,931

Third Interim Assumptions

District Budget Planning Factor Assumptions used in Third Interim:

	2023-24	2024-25	2025-26
Statutory COLA & Augmentation/Suspension (as calculated by the Department of Finance, DOF)	May 8.22% (Jan. 8.22%)	May 1.07% (Jan. 0.76%)	May 2.73% (Jan. 2.73%)
Statutory COLA	May 8.22% (Jan. 8.22%)	May 1.07% (Jan. 0.76%)	May 2.73% (Jan. 2.73%)
COLA Augmentation/Suspension	May 0% (Jan. 0%)	May 0% (Jan. 0%)	May 0% (Jan. 0%)
CalSTRS Employer Rate	19.10%	19.10%	19.10%
CalPERS Employer Rate	26.68%	27.80%	28.50%

*Fund 01 2023-24 Revenues:

REVENUES	2023-24 Second Interim	2023-24 Third Interim	Difference
LCFF Sources	\$169,766,168	\$170,961,957	\$1,195,789
Federal Revenue	\$19,632,929	\$19,939,000	\$306,071
Other State Revenue	\$26,183,998	\$22,320,602	-\$3,863,396
Other Local Revenue	\$19,928,430	\$22,294,743	\$2,366,314
Other Financing Sources / Uses	\$1,358,284	\$1,358,284	\$0
TOTAL REVENUES & OTHER FINANCING SOURCES/USES	\$236,869,809	\$236,874,586	\$4,778

*Includes both unrestricted and restricted revenues

*Fund 01 2023-24 Expenditures:

EXPENDITURES	2023-24 Second Interim	2023-24 Third Interim	Difference
Certificated Salaries	\$97,900,400	\$97,819,660	-\$80,740
Classified Salaries	\$32,602,903	\$32,818,170	\$215,267
Employee Benefits	\$57,437,428	\$57,478,876	\$41,448
Books and Supplies	\$7,545,319	\$7,718,692	\$173,373
Services and Other Operating Expenditures	\$57,041,127	\$56,724,612	-\$316,516
Capital Outlay	\$662,333	\$891,877	\$229,544
Other Outgo (excluding Transfers of Indirect Costs)	\$93,737	\$93,737	\$0
Other Outgo/Transfers of Indirect Costs/Transfers Out	-\$392,156	\$3,472,008	\$3,864,164
TOTAL EXPENDITURES	\$252,891,090	\$257,017,630	\$4,126,540

*Includes both unrestricted and restricted expenditures



2023-24 Third Interim Multi Year Projection (MYP) General Fund 01

REVENUES	2023-24	2024-25	2025-26
LCFF Sources	170,961,957	168,811,403	171,702,686
Remaining Revenues	64,554,345	52,715,850	52,229,320
Total Revenues	235,516,302	221,527,252	223,932,005
EXPENDITURES			
Salaries & Benefits	188,116,705	189,863,649	191,759,071
Books/Supplies & Outlay	8,610,569	6,511,040	6,511,040
Services & Operating Expenses & Other Adjustments	56,724,612	55,962,236	55,962,236
Other Outgo & Indirect Costs & Transfers Out	3,565,745	-318,938	-318,938
Other Adjustments: PKS for the 2024-25		-8,301,765	-8,550,818
Other Adjustments: Plug in assumption for SRTA settlement 2024-25 \$4,750 per cell & 100% emp., 65% emp +1, & 55% emp. + fam., in 2025-26 100% emp., 67% emp +1, & 57% emp. + fam., 2026-27 100% emp., 69% emp +1, & 59% emp. + fam.		6,280,644	6,473,084
Other Adjustments: Future Unidentified Fiscal Stabilization Measures	0	-5,011,106	-23,837,938
Total Expenditures	257,017,630	244,985,759	227,997,737
Operating Net Increase/Decrease	-21,501,328	-23,458,507	-4,065,732
Transfers In and Other Sources & Transfers Out and Other Uses	1,358,284	1,358,284	1,358,284
Current Year Increase/Decrease In Fund Balance	-20,143,044	-22,100,223	-2,707,448
Beginning Balance	52,752,191	32,609,147	10,508,924
Ending Balance	32,609,147	10,508,924	7,801,476

2023-24 Third Interim Multi Year Projection (MYP) General Fund 01 Components of the Ending Fund Balance:

Ending Balance	32,609,147	10,508,924	7,801,476
Components of Ending Balance, Reserves	2023-24	2024-25	2025-26
Restricted Ending Balance	14,307,368	3,716,292	1,520,984
Special Reserve Fund - Non Capital Outlay (Fund 17)	554,441	556,941	559,441
Reserve for Economic Uncertainty	7,156,088	6,792,632	6,280,491
Unassigned/Unappropriated Ending Balance	11,145,691	0	0
Fund 01 Unrestricted Ending Balance & Fund 17 Reserve %	7.34%	3.00%	3.00%



1. Convene BAC

Budget Advisory Committee
Reviews Revenues and
Expenditures

Fiscal Stabilization Plan Process

For 2024-25

2. BAC Recommendations

BAC forwards recommendations
to the Superintendent



3. Superintendent

Makes recommendations
to the Board



4. Board of Education

Acts on recommendations for
inclusion in 2nd Interim/Budget

1. The BAC is charged with reviewing SRCS financial information and information regarding programs and services.
2. The BAC makes recommendations to the Superintendent for possible revenue enhancements and expenditure reductions.
3. The Superintendent can accept, not accept, modify, or add new recommendations to submit to the Board for consideration.
4. The Board can act on all, none, or some

Areas to Monitor

- Staffing Challenges in Some Areas
- State and National Economy - Slowing Economic Growth, Federal & State Budget Uncertainty
- Labor Negotiations
- Changes in Statutory and/or Funded Cost of Living Adjustment (COLA)
- Declining Enrollment and Attendance Rates
- Dependent Charter Schools Fiscal Solvency
- Cost of Universal Transitional Kindergarten Program
- Sustainability and Prioritization
- Expiration of One-Time Funds
- New Local Control Accountability Plan (3 year LCAP cycle)
- Potential Parcel Tax

Next Steps

June 2024

- 2023-24 Estimated Actuals
- 2024-25 LCAP and Budget Public Hearings and Adoptions
 - Budget will include Fiscal Stabilization Plan Recommendations
- State Enacted Budget

July 2024

- Close the 2023-24 Books

August 2024

- 45 Day Budget Update
- Budget Advisory Committee Reconvenes

Board Member Questions

