

**Orange County Department of Education
2023-24 Preliminary Budget
June 7, 2023**

Themes for the May Revision



Governor Gavin Newsom attempts to reach a balance of protecting existing investments while anticipating continued economic uncertainties



Revenues have continued to underperform, forcing the Administration to now recognize a \$31.5 billion budget shortfall



Despite this uncertainty, education falls into the category of an investment to protect



Even within education, a tradeoff is made: Protecting the Local Control Funding Formula (LCFF) comes at the expense of one-time funds reduced in the current year, some of which have already hit local educational agency (LEA) coffers



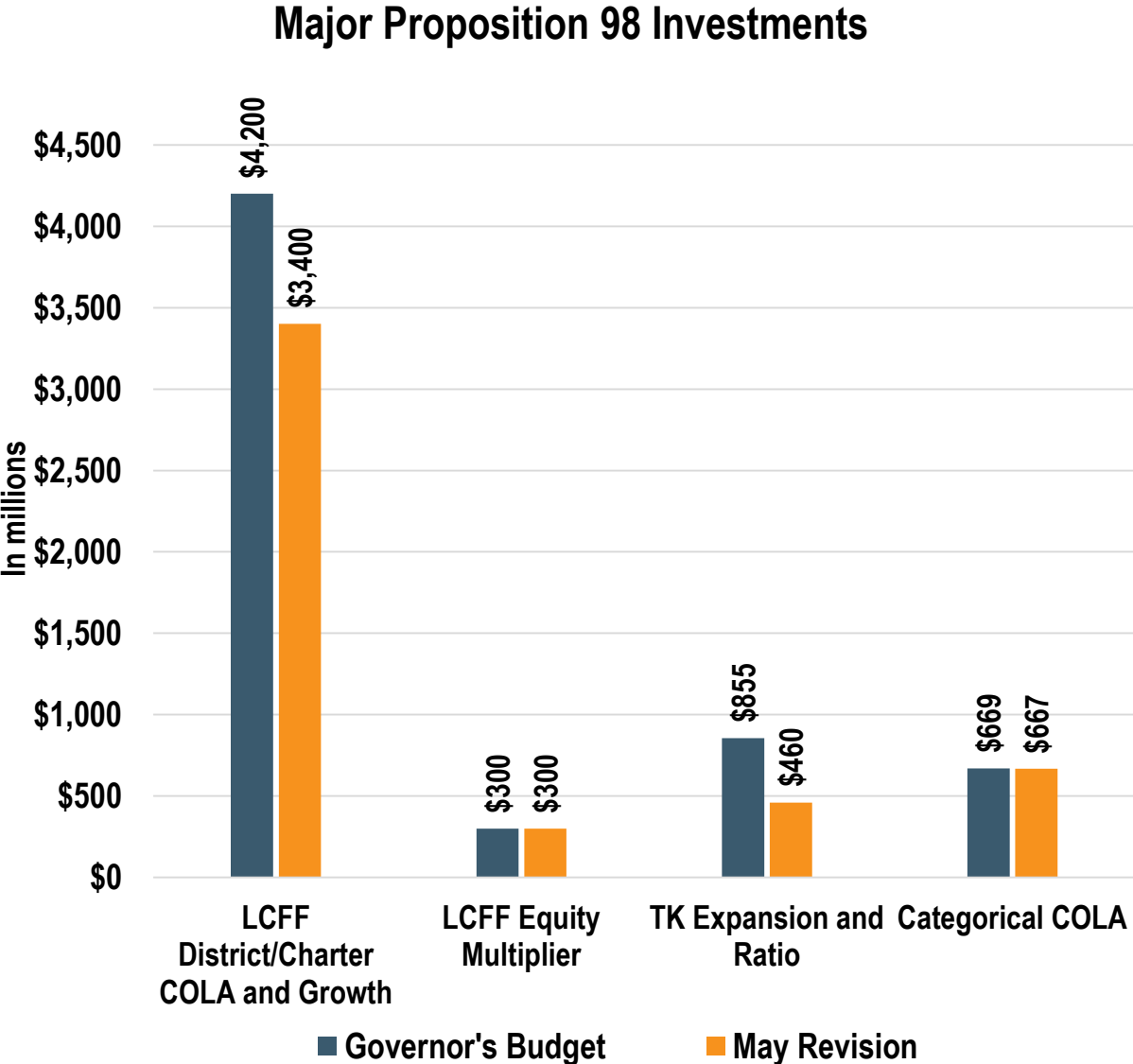
Echoing his warnings in January, the Governor's summary states "should broader economic risks materialize, deeper reductions will be necessary"



Still in the budgeting toolbox should revenues continue to decline: deferrals, reserve account withdrawals, and cost-of-living adjustment (COLA) deficits

Overview of Major K-12 Spending Proposals—January to May

- The largest K-12 investment in the Governor’s Budget was in the LCFF and its various components, totaling an additional \$5.04 billion in Proposition 98 resources
 - Other major investments included categorical program COLA totaling \$669 million, including State Preschool rate adjustments
- The May Revision continues to make the largest investment in the LCFF and its various components as well as fully funding the statutory COLA for programs outside of the LCFF
- Adjustments to proposed LCFF funding reflect both an increase in COLA and a decrease in enrollment projections, which also affects transitional kindergarten (TK) expansion
- Proposed funding to support the Equity Multiplier and the TK ratio remains unchanged



Governor's Budget vs. May Revision

Item	Governor's Budget	May Revision
LCFF Funding Increase	\$5.04 billion ¹	\$4.04 billion ²
Proposition 98 Minimum Guarantee 2021-22 2022-23 2023-24	\$110.4 billion \$107.0 billion \$108.8 billion	\$110.6 billion \$106.8 billion \$106.8 billion
2023-24 Statutory COLA	8.13%	8.22%
Arts, Music, and Instructional Materials Discretionary Block Grant Reduction	-\$1.2 billion	-\$1.8 billion
Learning Recovery Emergency Block Grant Reduction	No Reduction	-\$2.5 billion

¹Reflects an LCFF increase of \$4.2 billion for the 8.13% COLA and \$855 million to support TK expansion

²Reflects an LCFF increase of \$3.6 billion for the 8.22% COLA and \$460 million to support TK expansion

2023-24 LCFF Overview

8.22% Statutory COLA
\$3.4 billion

\$4.0 billion LCFF Funding
Total 2023-24 increase¹

\$300 million Equity Multiplier
Intended to augment resources to support highest-needs schools

\$667 million Categorical Programs
COLA also applied to other educational programs funded outside of the LCFF

One-Time \$2.8 billion The May Revision is relying on \$2.8 billion in one-time Proposition 98 General Fund to support the costs of the LCFF in 2023-24

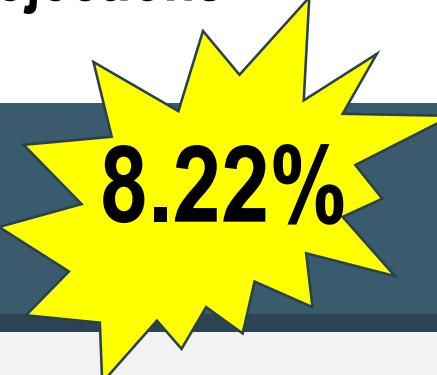
Ongoing \$80 million To support county offices of education (COEs) serving students in juvenile court and other alternative settings

Increase 50% To the COE base grant allocation to support the differentiated assistance work and in recognition of the lengthened time for differentiated assistance—from one to two years of eligibility

¹School districts and charter schools only, including TK expansion and TK adult-to-student ratios

Categorical Program COLA

- The May Revision includes an approximately \$1.7 million reduction in the \$669 million Proposition 98 funding proposed in the Governor’s Budget for a COLA to multiple programs outside of the LCFF
- This reflects both the change in the COLA rate from 8.13% to 8.22% and changes in enrollment projections



8.22%	Special Education	Mandate Block Grant	American Indian Early Childhood Education Program	Adults in Correctional Facilities
Child Nutrition	State Preschool	Charter School Facility Grant Program	American Indian Education Centers	Youth in Foster Care

SSC Financial Projection Dashboard

Planning Factors						
		2022-23	2023-24	2024-25	2025-26	2026-27
DOF ¹ Planning COLA		6.56%	8.22%	3.94%	3.29%	3.19%
California CPI ²		5.71%	3.54%	3.02%	2.64%	2.89%
CalSTRS ³ Employer Rate		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS ⁴ Employer Rate		25.37%	26.68%	27.70%	28.30%	28.70%
California Lottery	Unrestricted per ADA	\$170	\$170	\$170	\$170	\$170
	Restricted per ADA	\$67	\$67	\$67	\$67	\$67
Mandate Block Grant (District) ⁵	Grades K-8 per ADA	\$34.94	\$37.81	\$39.30	\$40.59	\$41.88
	Grades 9-12 per ADA	\$67.31	\$72.84	\$75.71	\$78.20	\$80.69
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$18.34	\$19.85	\$20.63	\$21.31	\$21.99
	Grades 9-12 per ADA	\$50.98	\$55.17	\$57.34	\$59.23	\$61.12

¹Department of Finance (DOF), ²Consumer Price Index (CPI), ³California State Teachers' Retirement System, ⁴California Public Employees' Retirement System, ⁵COE Mandate Block Grant: \$37.81 per average daily attendance (ADA) grades K-8; \$72.84 per ADA grades 9-12; \$1.27 per ADA; \$1.27 per unit of countywide ADA

Arts, Music, and Instructional Materials Discretionary Block Grant

- The Governor’s Budget proposed a \$1.2 billion reduction in the \$3.5 billion one-time funding provided in the 2022-23 Enacted Budget package
- The May Revision proposal would increase the reduction to \$1.78 billion—sweeping the remaining unallocated portion of the grant



Allocation

Funds were allocated per ADA based on 2021-22 P-2*

*Second Principal Apportionment



Distribution

50% of the original \$3.5 billion allocation was distributed in December 2022



Spending Deadline

Funds must be spent by June 30, 2026



Plan

Local plans must be discussed and approved during a regularly scheduled board meeting

Learning Recovery Emergency Block Grant—Proposed Funding Reduction

- The May Revision proposes to reduce this funding by \$2.5 billion from \$7.9 billion to \$5.4 billion, a decrease of 32%
- One-time investment intended to fund initiatives that support academic learning recovery, and social and emotional well-being
- The California Department of Education (CDE) has allocated the 2022-23 Enacted Budget appropriation fully
- The CDE may reduce future principal apportionments to accommodate this reduction



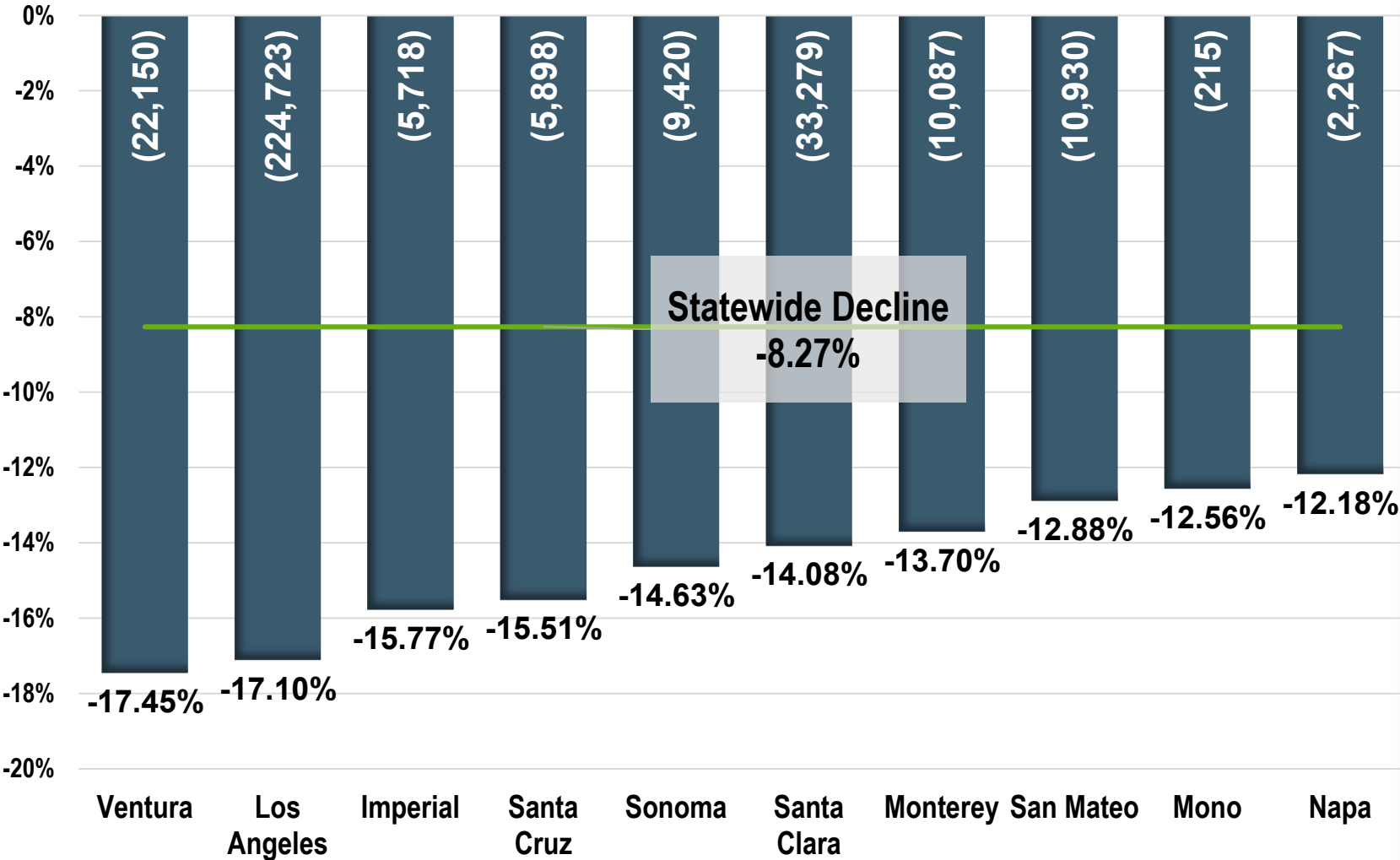
Minimum Wage—Future Forecast

- School Services of California Inc., projects that the minimum wage will increase to \$16.00 on January 2024 and by about 40¢ - 50¢ each January thereafter
- Employers should review city or county ordinances to determine if any local minimum wage standards apply

Minimum Wage ¹	Effective Date: > 25 Employees	Effective Date: ≤ 25 Employees	Exempt Minimum Salary (Weekly)	Exempt Minimum Salary (Monthly)	Exempt Minimum Salary (Annually)
\$15.50/hour	January 1, 2023		\$1,240	\$5,373	\$64,480
\$16.00/hour	January 1, 2024		\$1,280	\$5,547	\$66,560
\$16.50/hour	January 1, 2025		\$1,320	\$5,720	\$68,640
\$16.90/hour	January 1, 2026		\$1,352	\$5,859	\$70,304
\$17.30/hour	January 1, 2027		\$1,384	\$5,997	\$71,968
\$17.80/hour	January 1, 2028		\$1,424	\$6,171	\$74,048
\$18.30/hour	January 1, 2029		\$1,464	\$6,344	\$76,128

¹Minimum wage is tied to the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers, but is rounded and capped at 50¢ per year

Declining Enrollment Projections 2022-23 to 2031-32



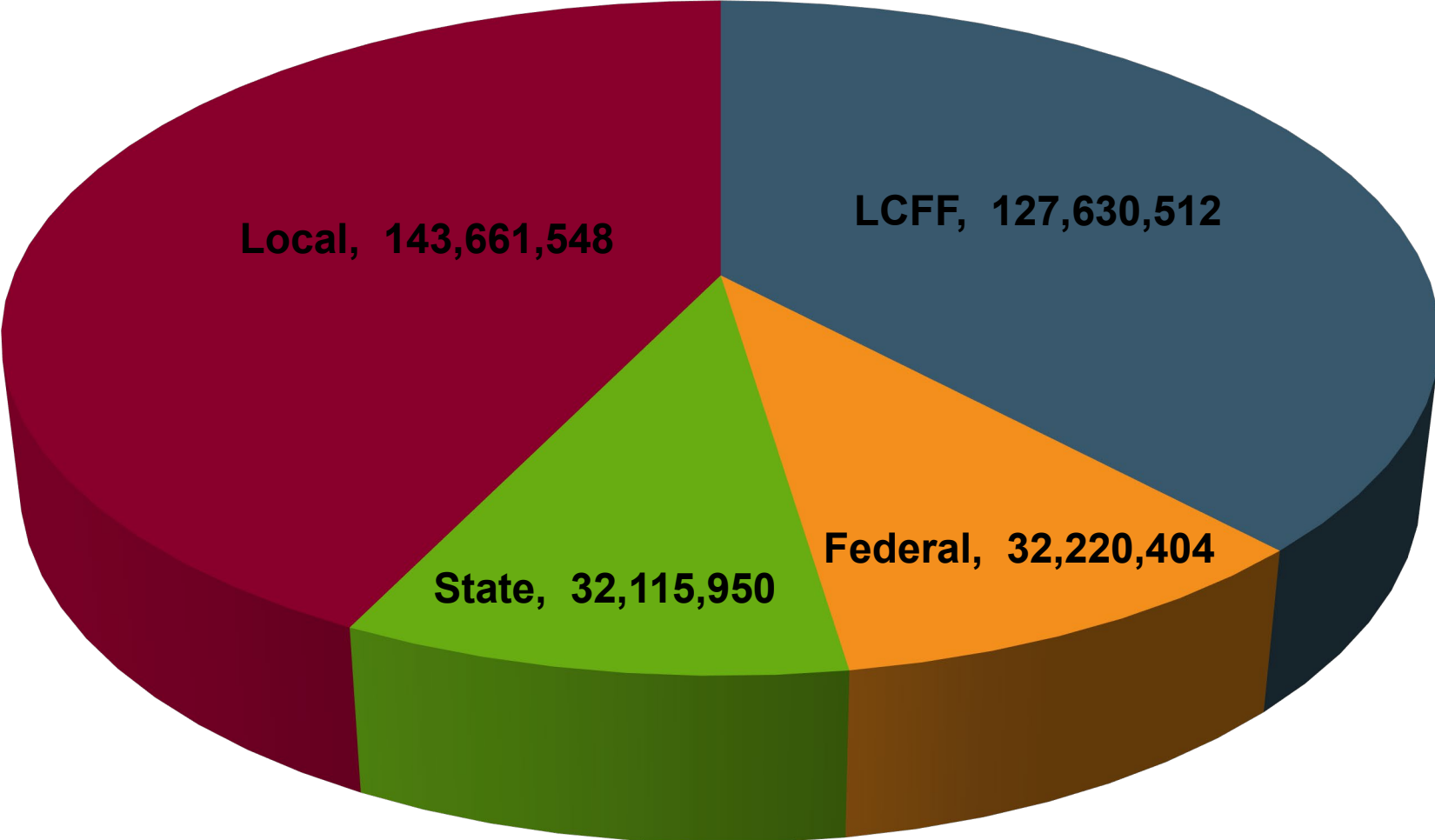
- Most areas in the state are affected by declining enrollment, but to differing degrees:
 - 12 counties are projected to lose 10,000 or more students between 2022-23 and 2031-32
 - 18 counties will lose students at a rate faster than the statewide average of 8.27%

- Enrollment trends for each LEA are unique to the community and student populations they serve

- Enrollment trends impact the bottom line—in the current year and the out-years

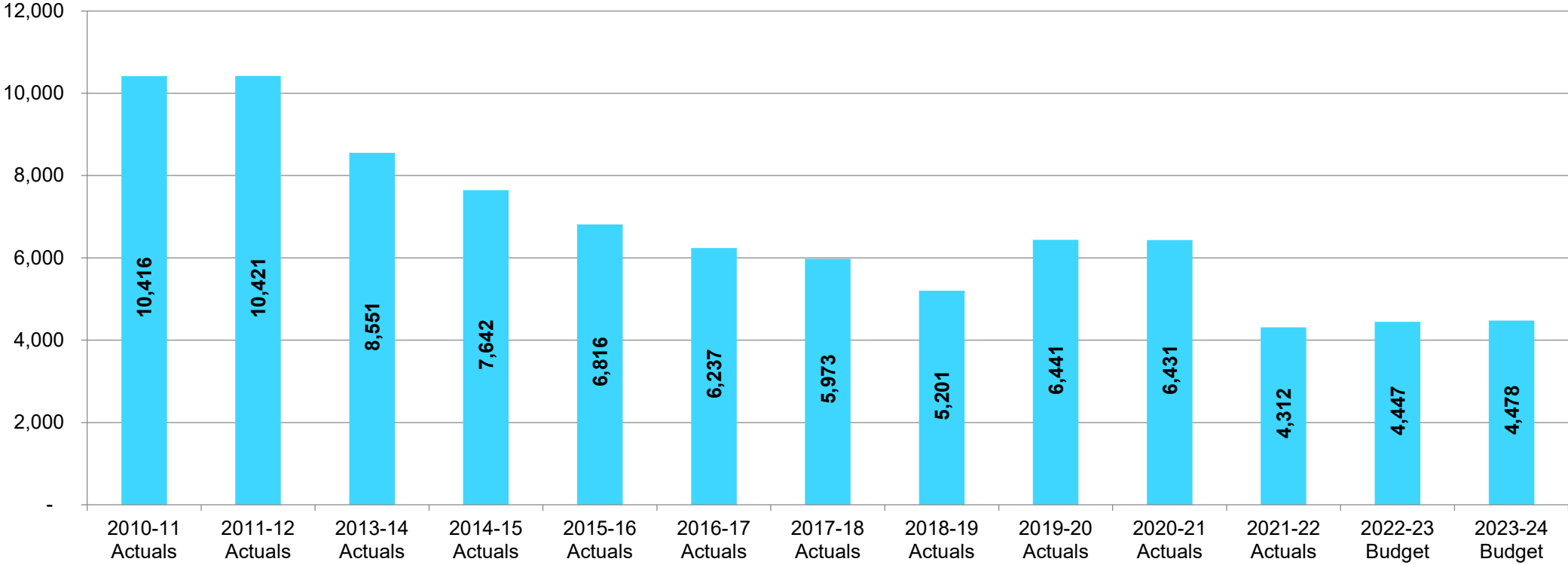
Source: DOF, CDE

OCDE Total Revenue



Total ADA

Total ADA for OCDE Programs



ADA By Program

	2010-11 Actuals	2011-12 Actuals	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Budget	2023-24 Budget
Juvenile Court Schools	1,525	1,602	858	737	519	492	460	401	475	475	267	329	329
Community Schools "C"	4,504	4,007	2,672	2,079	1,583	1,267	1,134	975	1,454	1,347	502	802	818
Community Schools Secondary 1st Semester	276	386	462	419	466	557	584	284	499	599	45	63	63
CHEP and PCHS	1,750	1,787	1,613	1,547	1,321	1,073	908	708	629	630	571	436	436
PCHS Secondary 1st Semester "A" & "B"	466	570	797	889	911	972	1,253	1,233	1,593	1,593	1,300	1,415	1,443
Expelled	188	182	147	130	132	115	133	136	179	175	51	49	47
County Community "A" & "B"	1,108	1,056	1,064	874	958	780	563	542	635	635	634	500	490
County Community "A" & "B" Secondary 1st Semester		238	501	537	467	464	426	358	406	406	465	409	405
Homeless	76	98	-										
College & Career Prep. Charter					41	141	142	179	199	199	147	107	110
Total For ACCESS	9,893	9,925	8,114	7,212	6,398	5,861	5,603	4,815	6,069	6,059	3,982	4,110	4,141
Change from Prior Year	831	32	(1,202)	(902)	(814)	(537)	(258)	(788)	1,254	(10)	(2,077)	128	31
Special Schools	523	495	436	430	418	376	370	386	372	372	330	337	337
Change from Prior Year	(18)	(28)	(38)	(6)	(13)	(42)	(6)	16	(14)	-	(43)	7	-
Total	10,416	10,421	8,551	7,642	6,816	6,237	5,973	5,201	6,441	6,431	4,312	4,447	4,478
Difference from prior year	813	5	(1,239)	(908)	(827)	(579)	(264)	(772)	1,241	(10)	(2,119)	135	31

Revenue Projections

- **LCFF (Local Control Funding Formula)**
 - **Increase of \$5,958,293 due to 8.22% COLA, increase in ADA and unduplicated Count**
- **Federal Revenue**
 - **Increase of \$12,578,143**
 - **\$11,772,275 increase is ESSER III (COVID-relief) funds to be spent or encumbered by 9/30/24**
 - **\$1,182,696 increase for Title I funds that have been deferred from prior year**
- **State Revenue**
 - **Decrease of (\$28,223,299)**
 - **\$1,225,062 increase for Tobacco Use Prevention Education (TUPE) trainings**
 - **(\$18,600,000) decrease for MTSS that we received in 2022-23 that will be spent in future years**
 - **(\$6,281,174) decrease for programs that were funded for one-time 2022-23**
 - **(\$1,392,762) decrease for funding for Arts and Music Block Grant that will be reduced in 2023-24**

Revenue Projections

■ Local Revenues

● Decrease of (\$1,948,489)

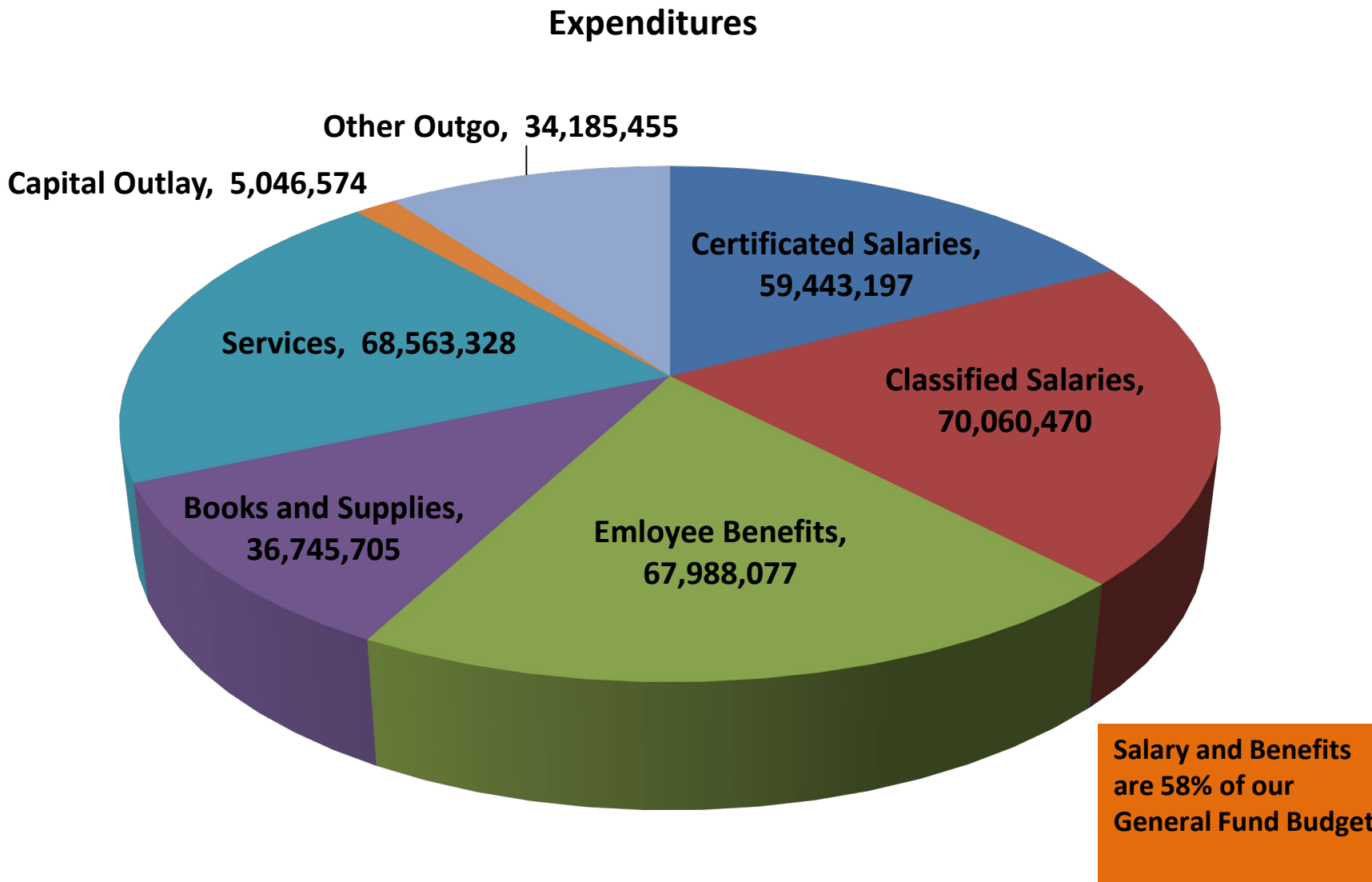
- \$5,446,911 increase for student ADA that is referred by school districts
- \$3,445,557 increase for services that are provided by the Special Schools program
- \$ 166,152 increase for various changes in local contracts
- (\$6,073,584) decrease for MAA (Medical Administrative Services) that is mostly pass thru to districts
- (\$3,626,000) decrease for the Regional K-12 Collaborative
- (\$1,307,525) decrease for GASB 31 Fair Market Value from OC Treasury

New or Expanding Programs

- **California Community School Partnership Program \$1,977,444**
 - **Sub-Recipient (local funding) from San Diego COE thru 6/30/25**
 - **\$946,748 is in the 2023-24 budget**

- **Coming Soon**
 - **California Apprenticeship Initiative \$1,500,000**
 - **New contract from California Community Colleges thru 6/30/24**

Projections for Expenditures



Expenditures Projections

■ Salaries and Benefits

- **Certificated Salaries includes the settlement of salaries for 2023-24**
- **Classified, Supervisory and Management salary negotiations have not been completed so they were not included in this budget**
- **Health benefits are still in discussion with our Health Benefits committee so increases are not included at this time**
- **Increase for statutory benefits for step and column and new positions have been included in this budget**
- **We have numerous positions that are funded through 6/30/2024 that are being tracked closely**

Expenditure Projections

- **Books and supplies**
 - **Increase of \$13,071,237**
 - **\$8,008,255 for expenditures that will be allocated once plans are approved**
 - **\$4,778,340 for increase in equipment for health and safety items**
 - **\$671,935 for Arts and Music Block Grant (pending plan approval)**
- **Services and other operating expenses**
 - **Decrease of (\$13,346,015)**
 - **(\$10,448,290) decrease for various sub-agreements to schools (mostly for MTSS sub-agreements completed in 6/30/23)**
 - **(\$1,901,201) decrease in various other operating expenses**
 - **(\$996,524) decrease in various contracts**

Major Capital Projects

- **Rancho Sonado**
 - **Currently in design and plan approval stage**
- **HVAC replacement for multiple sites (utilizing COVID funding)**
- **Roofing replacement**
- **Infrastructure upgrades for Kalmus site**
- **Shade structures to improve outdoor learning areas**
 - **Hillview, Mann and Mission Viejo Special School Sites**
 - **Sunburst**
- **Painting at Harbor Learning Center South**

Future Budget Projections

■ Multi-Year Projections

- Monitor all one-time funding to ensure that expenditures are not repeated in future years
- Declining enrollment both for OCDE and Countywide
- Increase in behavioral concerns/expectations since the pandemic (both student and employees)
- Competition for salaries is an on-going concern which is why we agreed to a classification and salary study for non-certificated staff
- Increase in accountability and transparency reporting for multiple programs
 - This includes new LCAP requirements, differentiated assistance, new accounting standards (GASB)

Thank you