

Budget Study Session

April 2, 2025



OCDE Budget Book

- **The Narrative Summary (includes a breakdown of revenue and expenditures. This section includes a 7-year budget history for all Federal, State and Local Revenues)**
- **Budget Changes in Excess of \$25,000 (new section for First & Second Interim Reports)**
- **Part 1 – Planning Factors (key planning factors used in budget development)**
- **Part 2 – Assumptions (description of changes between current and proposed budget)**
- **Part 3 – Major Object Code Variance (between current and proposed budget)**
- **Part 4 – General Fund (Form 01) Budget Detail by Object Code**
- **Part 5 – Multi-Year Budget Projection (required for current and two subsequent years)**
- **Part 6 – Criteria and Standards (state required trend analysis of the budget)**
- **Part 7 – Average Daily Attendance (ADA) Form A**
- **Part 8 – Listing of All Funds**
- **Part 9 – Special Education Pass-Through Fund – Object Detail**

OCDE Budget Book

- **Part 10 – Child Development Fund (object code detail)**
- **Part 11 – Deferred Maintenance Fund (object code detail)**
- **Part 12 – Special Reserve for Other Than Capital Outlay Projects (object code detail)**
- **Part 13 – County School Facilities Fund (object code detail)**
- **Part 14 – Special Reserve Fund for Capital Outlay Projects (object code detail)**
- **Part 15 – Debt Service Fund (Certificates of Participation for Esplanade project)**
- **Part 16 – Self-Insurance Fund for Dental**
- **Part 17 – Listing of all Entitlements, Contracts, and Grants**
- **Part 18 – Holding Accounts (object code 4399)**
- **Part 19 – COVID-19 Relief Funding**
- **Part 20 – Other State Required Reports**

State Account Code Structure

Reporting Requirements are Defined in the California School Accounting Manual -
Overview of the Standardized Account Code Structure

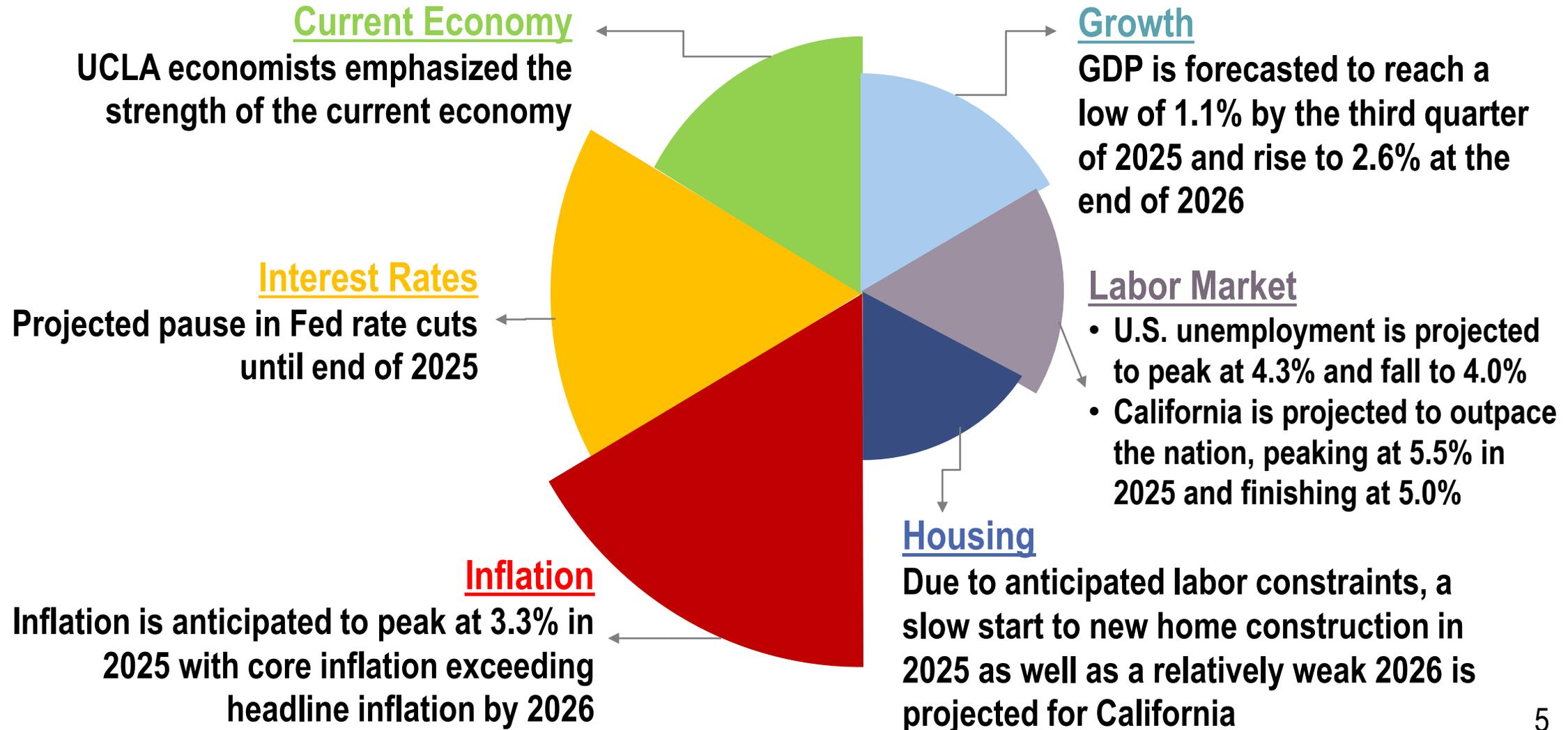
1. Fund – 2 digits

2. Resource – 4 digits (tracks activities that are funded with revenues that have spending restrictions)
3. Project Year – 1 digit (identifies projects whose reporting year is different than the fiscal reporting year)
4. Goal – 4 digits (accumulates costs by instructional goals and objectives)
5. Function – 4 digits (describes activities or services performed to support goals and objectives)

6. Object – 4 digits (classifies revenues by the general source and type of revenue, and classifies expenditures by the types of items purchased or services obtained (e.g., certificated salaries. It also classifies balance sheet accounts as assets, liabilities, or fund balance.)

7. School – 3-digits (designates a specific, physical school structure in alignment with the CDS code)
8. Optional Manager Code – 4 digits
9. Optional Cost Center Code – 4 digits (OCDE uses the cost center to track specific programs)
10. Optional Site Code – 3 digits (OCDE uses to track key programs, i.e. ACCESS, and Special Schools)

U.S. Economic Outlook and UCLA Anderson December Forecast



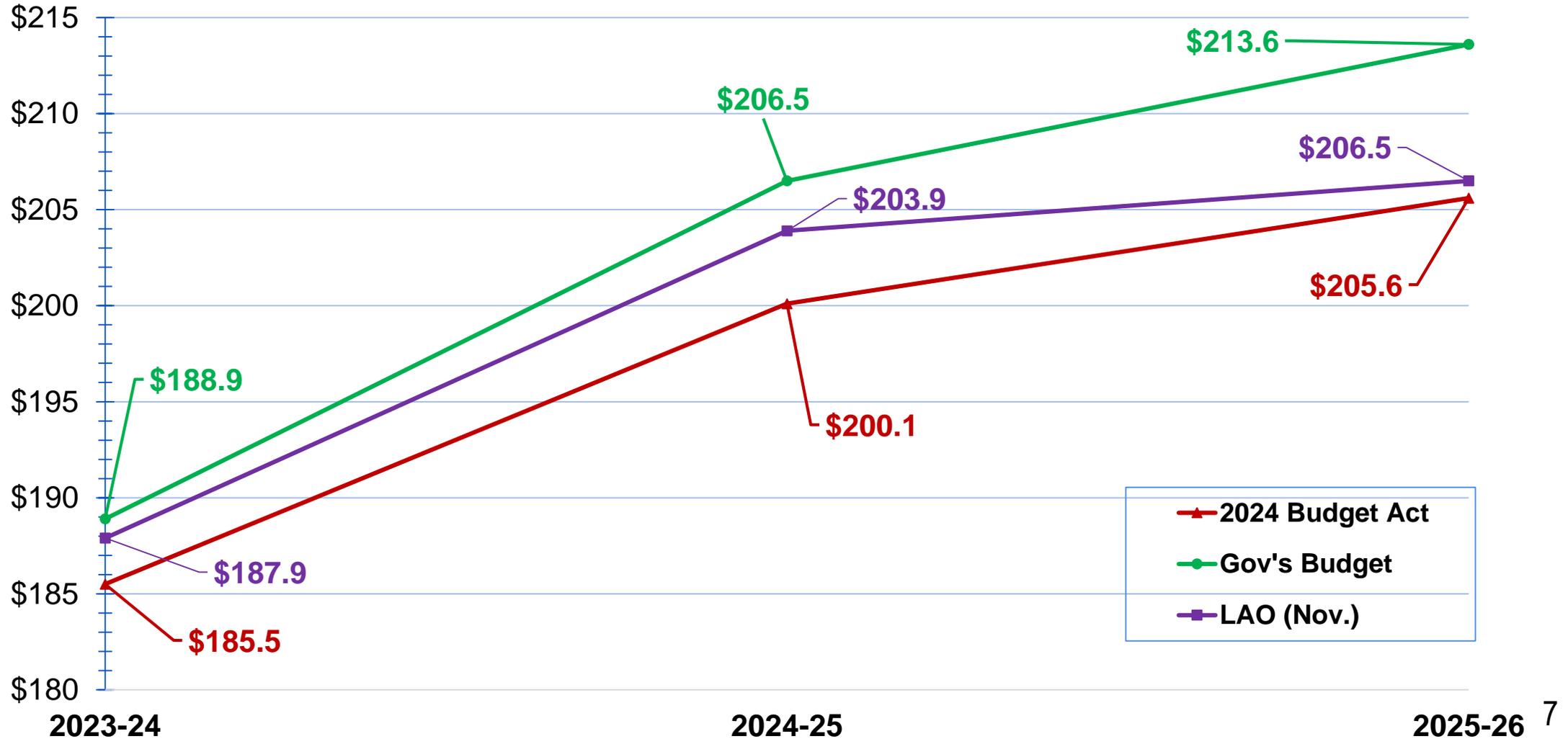
Governor's January Budget Proposal

- Governor Newsom is estimating a \$17 billion budget surplus and healthy reserves for next fiscal year, 2025-26, due largely to an improved economic outlook and strong tax receipts since enactment of the 2024-25 State Budget
- The DOF now estimates GF revenue over the three-year budget window (2023-24 through 2025-26) to exceed levels contained in the 2024-25 State Budget by approximately \$17 billion
- The LAO's revenue projections are roughly \$10 billion lower than the Governor over the three-year budget window, but the LAO notes the DOF's projections are reasonable and find the State Budget roughly balanced
- Both the LAO and the DOF point to the value of the two-year plan to address one of the largest budget deficits in State history last year. The 2024-25 State Budget included about \$28 billion of solutions for the 2025-26 budget year

State General Fund (GF) Revenues

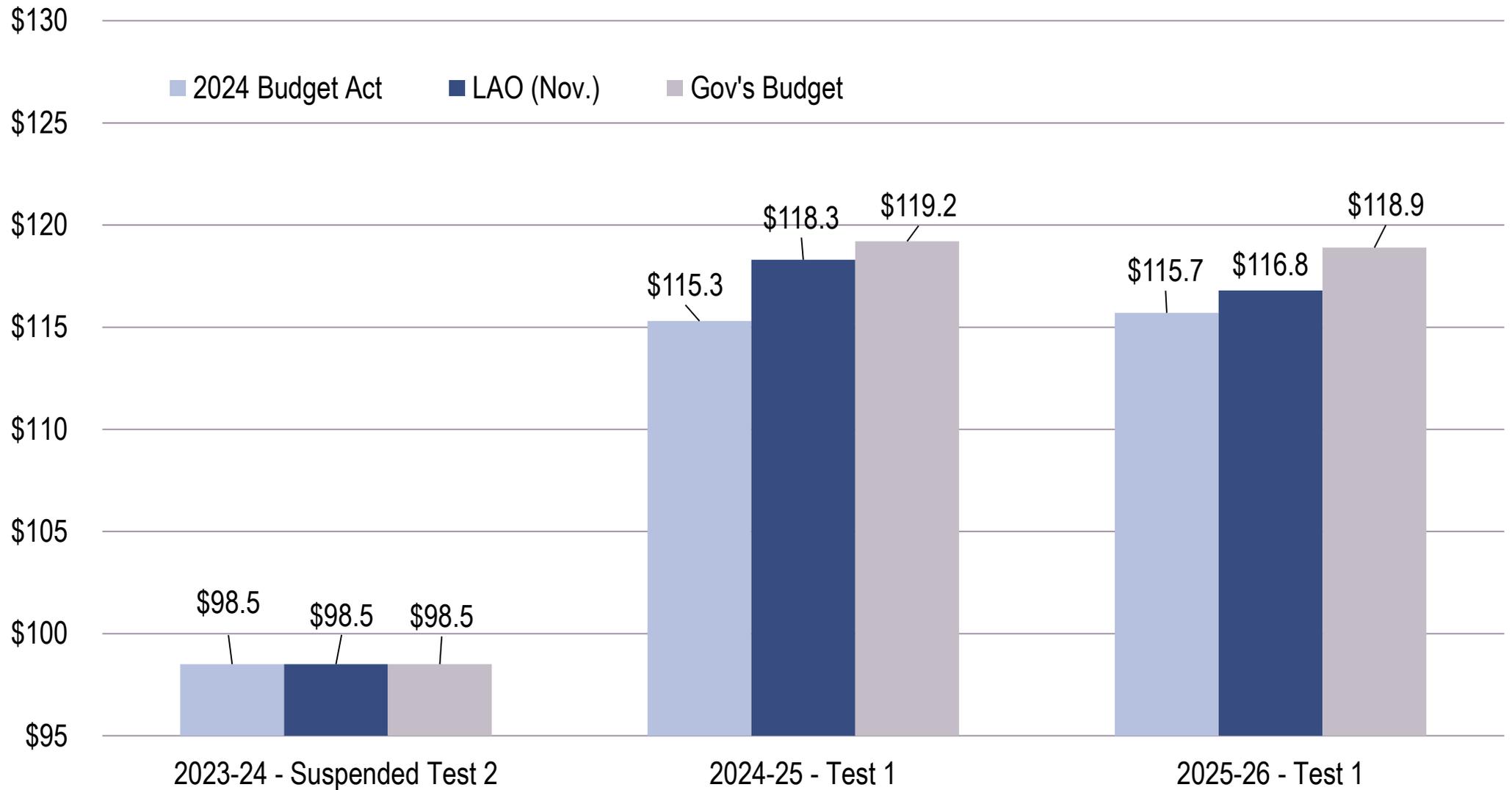
Includes only revenues that affect calculation of Prop 98 Guarantee

(Dollars in Billions)

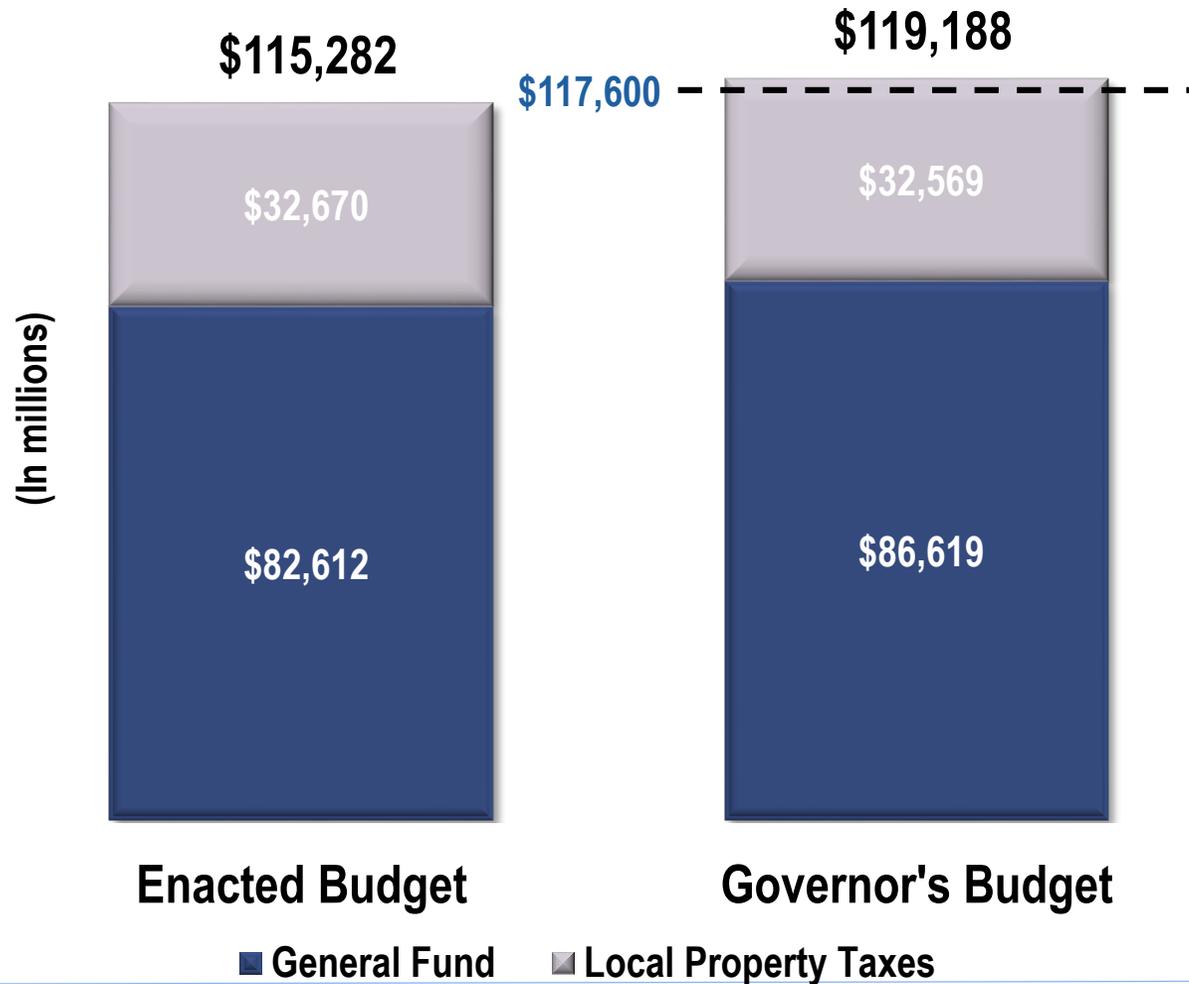


Proposition 98 Over Three Years

(Dollars in Billions)



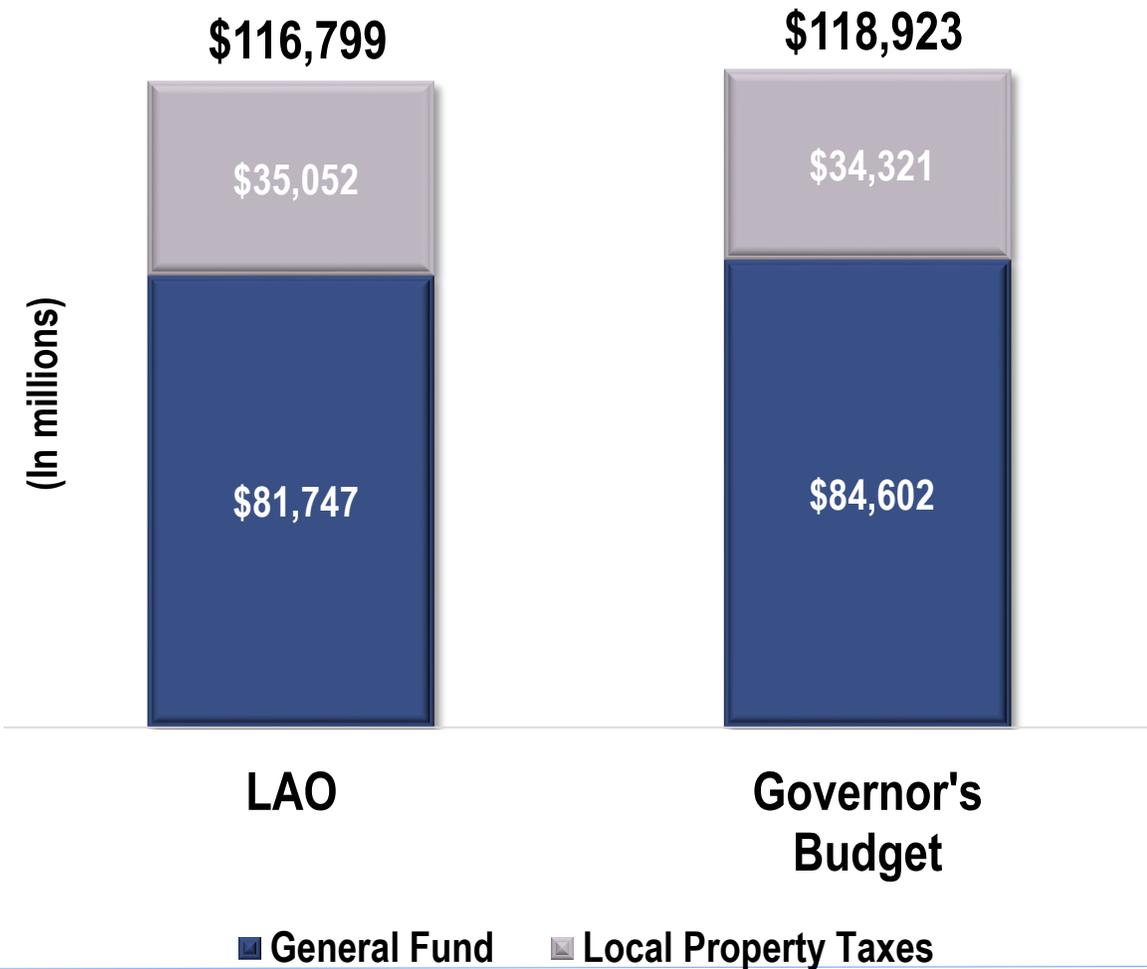
2024-25 Proposition 98 Minimum Guarantee



Due to unanticipated General Fund revenues, the 2024-25 minimum guarantee is revised upward by \$3.9 billion

“[T]he Budget proposes to appropriate the Guarantee at \$117.6 billion, instead of at the currently calculated level of \$119.2 billion...”

2025-26 Proposition 98 Minimum Guarantee

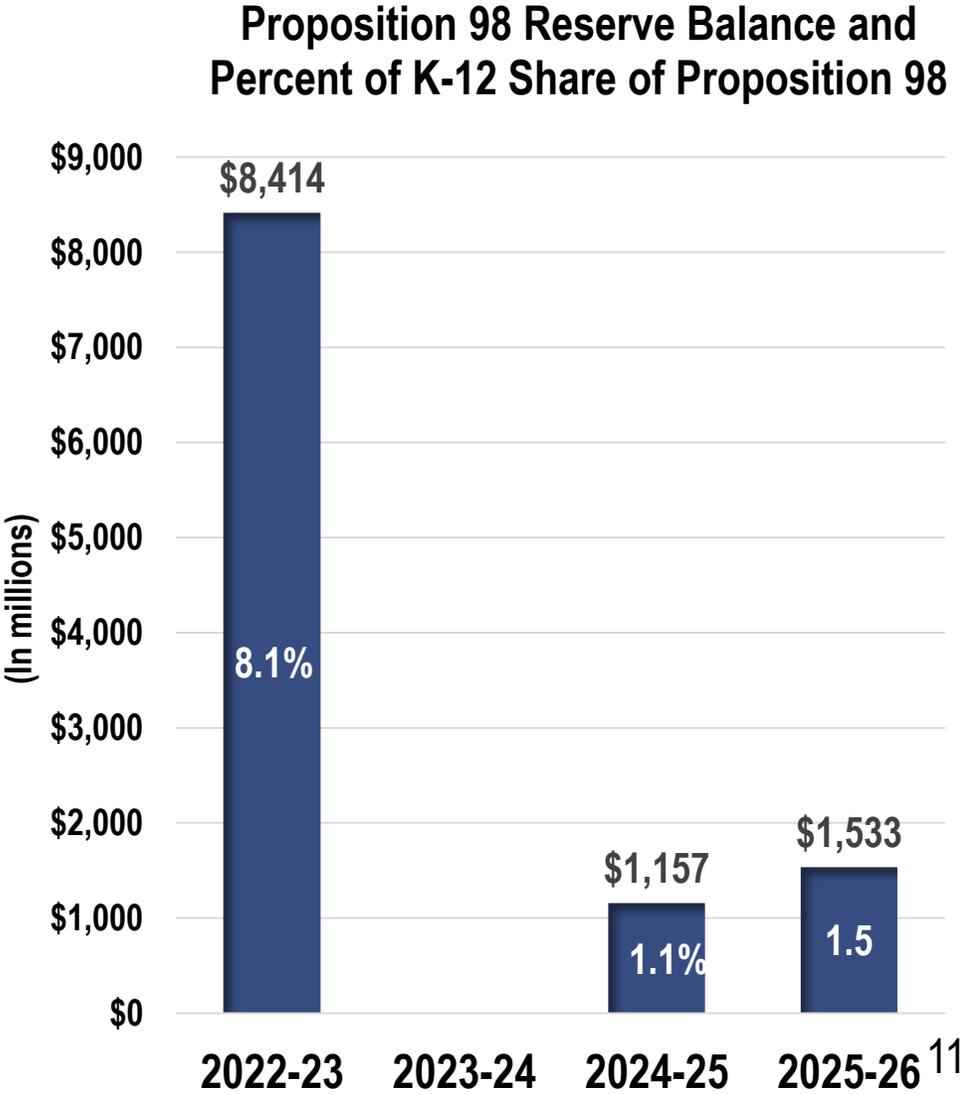


- Compared to the LAO's *Fiscal Outlook*, the Governor's estimates for the 2025-26 minimum guarantee are only modestly higher
- Both estimate the budget year level to be lower than 2024-25

Proposition 98 Reserve

Proposition 2 (2014) Public School System Stabilization Account

- Required deposit amounts are calculated based on above-average capital gains revenue
- In 2022-23, the account balance was \$8.4 billion
- The 2024-25 Enacted Budget reflects:
 - ✓ Withdrawal of entire balance in 2023-24
 - ✓ Discretionary deposit of \$1.1 billion in 2024-25
- The 2025-26 Governor’s Budget includes:
 - ✓ Converting the 2024-25 discretionary deposit to a mandatory deposit and an additional required deposit of \$376 million in 2025-26



Risks to the State Budget

- Stock market volatility
- Elevated unemployment
- Delayed tax deadlines due to natural disasters
- Sluggish consumer spending
- Federal policy uncertainty
(*Tariffs & Immigration*)
- Operating deficits in out years



Second Interim Multi-Year Projection Assumptions

	2024-25	2025-26	2026-27
Salaries	Negotiations Completed (OCSEA & CSEA)	Pending Negotiations	Pending Negotiations
Statutory COLA	1.07%	2.43%	3.52%
Average Daily Attendance (ADA)	4,309	4,243	4,182
LCFF Revenue Projections	\$103,642,689	\$102,679,910	\$103,319,482
Tuition (ACCESS / Special Schools)	\$ 45,182,283	\$ 46,164,198	\$ 47,621,124

Multi-Year Projections - Combined General Fund

	2024-25 Second Interim	2025-26 Projected	2026-27 Projected
Revenues, and Other Financing Sources	\$384,162,683	\$360,372,246	\$368,749,957
Expenditures, and Other Financing Uses	\$402,755,576	\$360,527,981	\$354,498,786
Surplus/(Deficit) - Revenues Minus Expenditures	(\$18,592,893)	(\$155,735)	\$14,251,171
Beginning Balance	\$452,290,329	\$433,697,436	\$433,541,701
Ending Balance	\$433,697,436	\$433,541,701	\$447,792,872

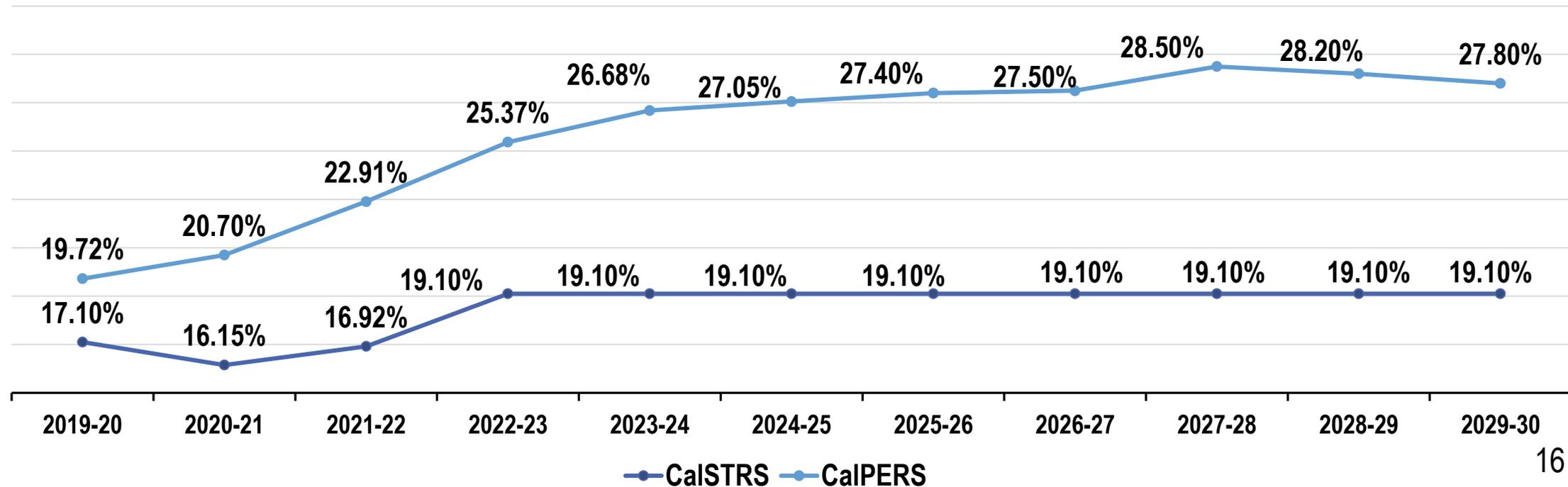
CalSTRS Employer Contribution Rates

- **Similar to CalPERS, the Governor does not include any new funding towards CalSTRS relief for LEAs**
- **SSC recommends that LEAs anticipate a CalSTRS employer contribution rate of 19.10% in 2024-25 based on the latest information available from CalSTRS**

Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year-Over-Year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10%	0.82%
July 1, 2020	16.15%	-0.95%
July 1, 2021	16.92%	0.77%
July 1, 2022	19.10%	2.18%
July 1, 2023	19.10%	0.00%
July 1, 2024	19.10%	0.00%
July 1, 2025	19.10%	0.00%

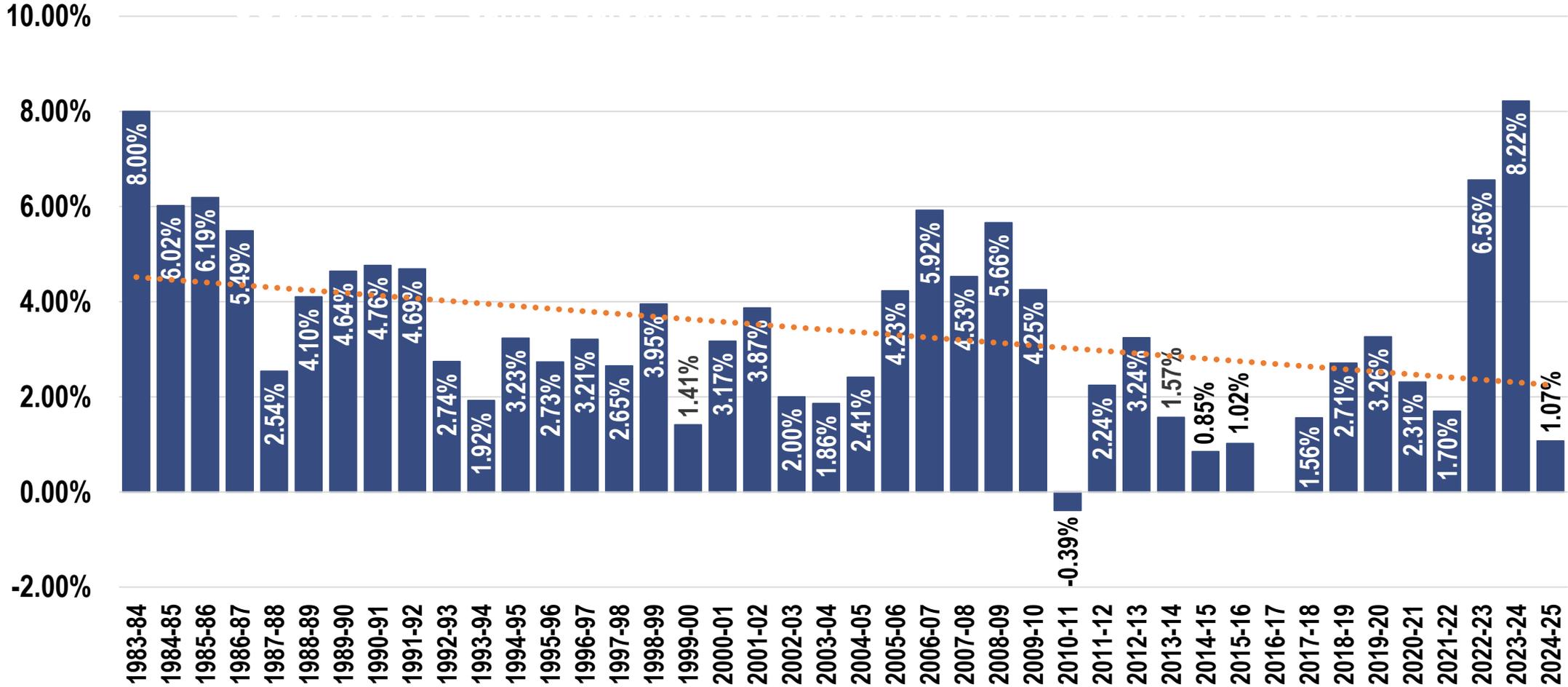
CalPERS and CalSTRS Employer Contribution Rates

- The Ca. State Teachers' Retirement System (CalSTRS) employer contribution rate has leveled off
 - ✓ According to CalSTRS, an annual employer contribution rate of 19.1% would eliminate the employer's unfunded liability three years ahead of schedule based on the CalSTRS full funding plan
- On the other hand, CalPERS rates are projected to continue their upward climb before falling in 2028-29 and 2029-30, according to revised projections released in fall 2024



Historical Statutory COLAs

- The statutory COLA for 2024-25 feels anomalous relative to the last two years, but when looking back, COLA is beginning to normalize to historical trends—COLAs above 6% are the anomalies



Impact of COVID-19 Protections on MYPs

COVID-19 Funding



- More than \$26 billion of federal, one-time funding was invested from 2019-20 through 2024-25
- Final tranche of ESSER¹ is approximately \$14 billion and must be fully obligated by September 30, 2024



ADA Protections



- Adjustments to reported 2021-22 ADA using 2019-20 attendance yields resulted in a one-time bump to funded ADA
- Inclusion of the option to use the average of three prior years' reported ADA to determine current-year funded ADA



Healthy Reserves



- The infusion of one-time funding, plus the abeyance of declining enrollment and suppressed attendance yields have allowed LEAs to weather the COVID-19 pandemic with minimal disruptions
- In fact, many LEAs were able to add staff and programs

¹Elementary and Secondary School Emergency Relief Fund

Major Projects for 2025-26

- **Rancho Sonado Project**
- **Deferred Maintenance Projects for multiple sites**
 - **Portable Building Replacements:**
 - ✓ Fred Newhart (3 portable classrooms and 1 portable restroom building)
 - **Harbor Learning Center South (Interior and Exterior Paint, and Flooring)**
- **Esplanade Elevator Installation Project**

Board of Education Budget

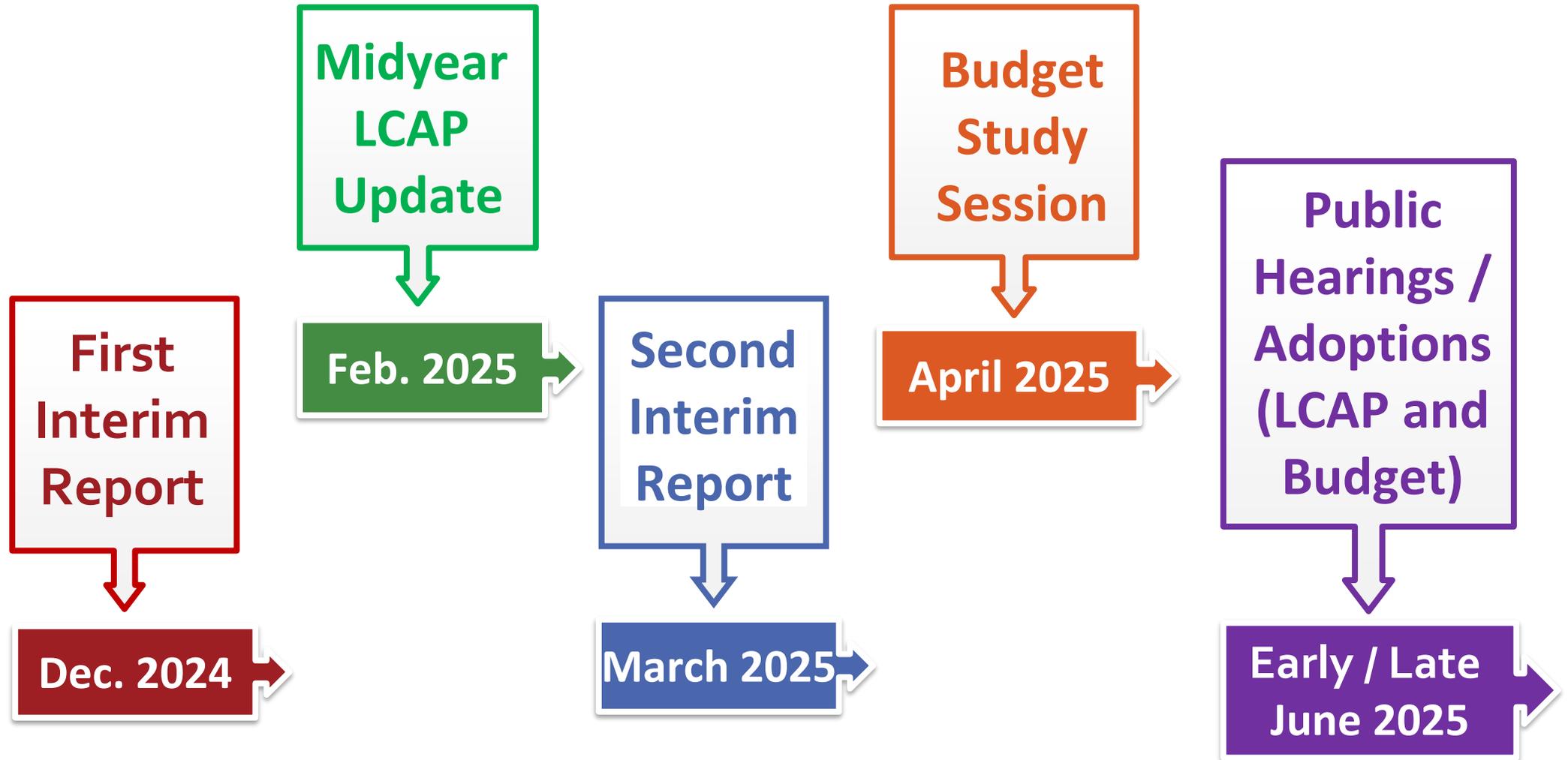
	2023-24 Audited Actuals	2024-25 Current Budget	2025-26 Projected
Salaries and Employee Benefits	\$ 239,768.81	\$193,848.00	\$193,848.00
Materials and Supplies	\$ 26,407.35	\$ 29,000.00	\$ 29,000.00
Services and Other Operating Expenditures (<i>excluding legal & advocacy Services</i>) *	\$ 43,192.91	\$ 81,274.00	\$ 81,274.00
Legal Services Contracts	\$ 823,182.80	\$ 600,000.00	\$ 600,000.00
Advocacy Contracts	\$ 188,000.00	\$ 280,020.00	\$ 280,020.00
Equipment	-	\$ 25,000.00	\$ 25,000.00
Contingency	-	\$ 250,000.00	\$ 250,000.00
Total	\$ 1,320,551.87	\$ 1,459,142.00	\$ 1,459,142.00

* Printing costs for district flyers included in Services and Other Operating Expenditures

Challenges Ahead

- Costs for Step and Column, CalPERS and CalSTRS Pensions, and Health and Welfare Benefits Premiums Continue to Rise
- Inflationary Cost Pressures for Other Items Such as Supplies, Services and Equipment Remain Persistent
- Expiration of One-time Federal and State COVID-19 Relief Funding
- Minimum State Aid / Excess Tax Status
- Uncertainty Regarding State Budget Outlook

Budget Timeline





Thank
You!