





DOWNEY USD



Governor's Proposals for the 2024-25 State Budget and K-12 Education

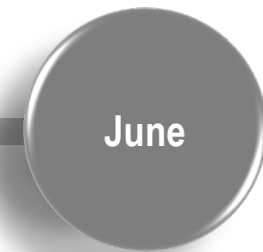
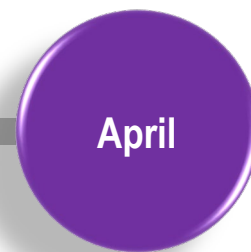
January 30, 2024

**Presented by:
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Associate Superintendent, Business Services**

Budget Approval Timeline



- During these months, the early guides regarding budget development are completed, and planning documents for district staff are distributed and then returned to the district office.
- In March, the budget calendar is presented to the Board of Education for adoption and it is likely that budget guidelines will be reviewed, revised, and a draft is made available for public review.



January 10
Governor's Budget

Development of the first preliminary budget is in the works. Board of Education priorities are considered for inclusion in the preliminary budget and potential expansions or reductions in program and personnel are worked on.

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May Revision

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Governor's Budget Themes

- Governor Gavin Newsom measures a \$37.9 billion budget shortfall, due largely to 2022 tax collections well below the budget's assumptions
- The Governor's Budget proposal protects the education budget against the local impact of a nearly \$12 billion reduction in Proposition 98 resources that, if unmitigated, would undoubtedly harm our students and the cadre of professionals who dedicate their lives to teaching and supporting them
- Proposal attempts to ensure that the education profession remains an attractive career choice by removing obstacles to entry and enabling agencies to provide competitive wages
- Governor's focus is on students whose learning was and continues to be deeply impacted by the COVID-19 pandemic
- **The Governor's Budget uses less pessimistic revenue assumptions than the Legislative Analyst's Office (LAO)**

The State Budget and The Economy

- **Headline inflation is down year over year and is expected to decline further through the budget year**
- **Leading economists anticipate a reduction to interest rates later in 2024**
- **The national and state economies are in a slow growth pattern**
- **The Governor projects a \$37.9 billion budget deficit for 2024-25**
- **Budget-balancing measures include drawing down \$13.1 billion in reserves and \$5.7 billion from the Public School System Stabilization Account (PSSSA), along with borrowing, funding reductions in non-Proposition 98 areas, funding delays, deferrals to payroll and University of California/California State University, and tax revenue proposals**
- **A recession is no longer forecasted in 2024 or 2025 by most economists, but there are notable risks to the State Budget**

Proposition 98

- **The Proposition 98 budget is a story of correction and normalization**

Good News

- **The historic increases in Proposition 98 from 2019-20 through 2021-22 resulted in significant financial investments to combat the impacts of the pandemic**
- **The state is better prepared to weather a financial downturn due to record levels of reserves**

Bad News

- **The \$26 billion shortfall of tax revenues for 2022-23 turned a normal year into one where it appears that the state provided money above the minimum guarantee**
- **The Governor's solution to mitigate this shortfall is unprecedented and not widely or clearly understood, which creates risk for local educational agencies (LEAs)**

The Education Budget and Local Impact

- The Governor continues with the theme of “correction and normalization”

Good News

- Despite the significant underperformance of General Fund revenues in 2022-23, the Governor is not proposing any new cuts or deferrals to K-12 education core programs
- General Fund revenue spikes in 2021-22 were used for one-time purposes and that is now paying dividends

Bad News

- Education is facing a “COLA¹-only” year where the projected statutory COLA is significantly less than 2023-24 and anticipated for 2024-25 trending

¹Cost-of-living adjustment

U.S. Economic Outlook and UCLA Anderson December Forecast

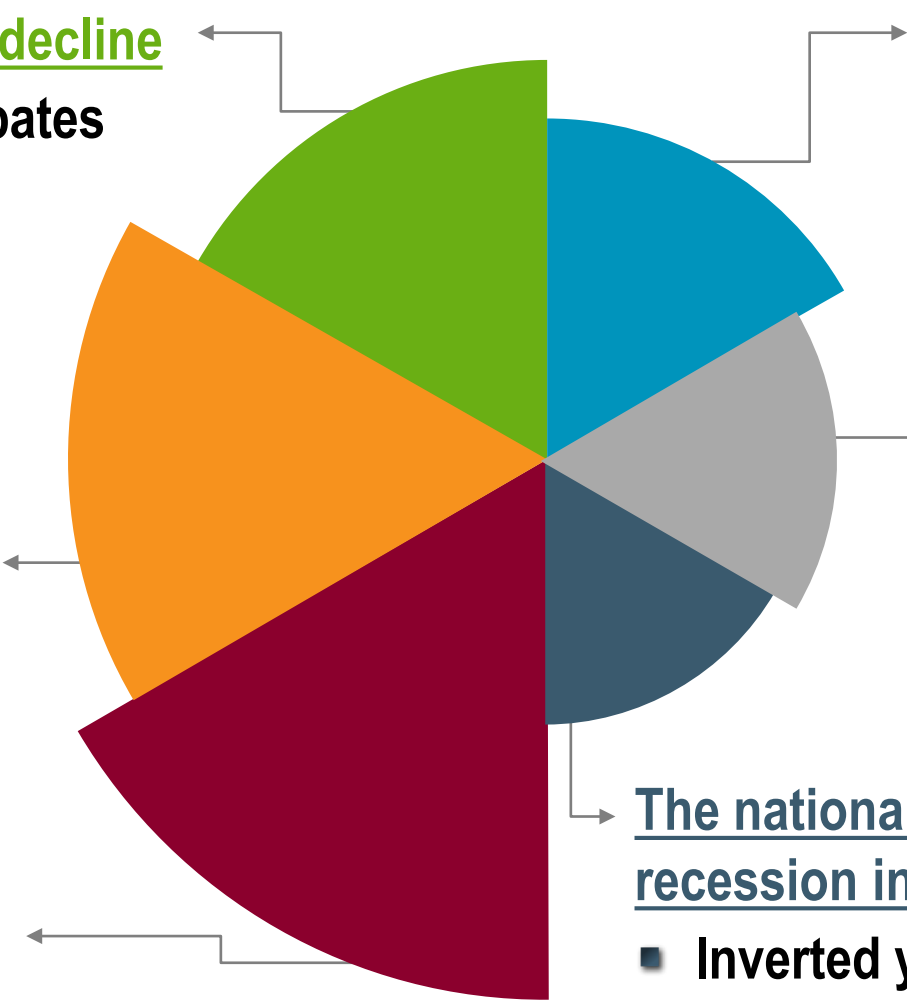
Inflation is predicted to continue its decline

- UCLA Anderson (Forecast) anticipates headline inflation to fall to 2.7%

Slow economic growth

- The Forecast projected three quarters of 1.0% growth in 2024, increasing to 2.5% by 2025
- A slow growth economy is especially vulnerable to risk

A recession is no longer forecasted for the near future



Interest rate cuts are projected as early as 2024

- The Forecast predicts the federal funds rate will be 4.8% by 2025

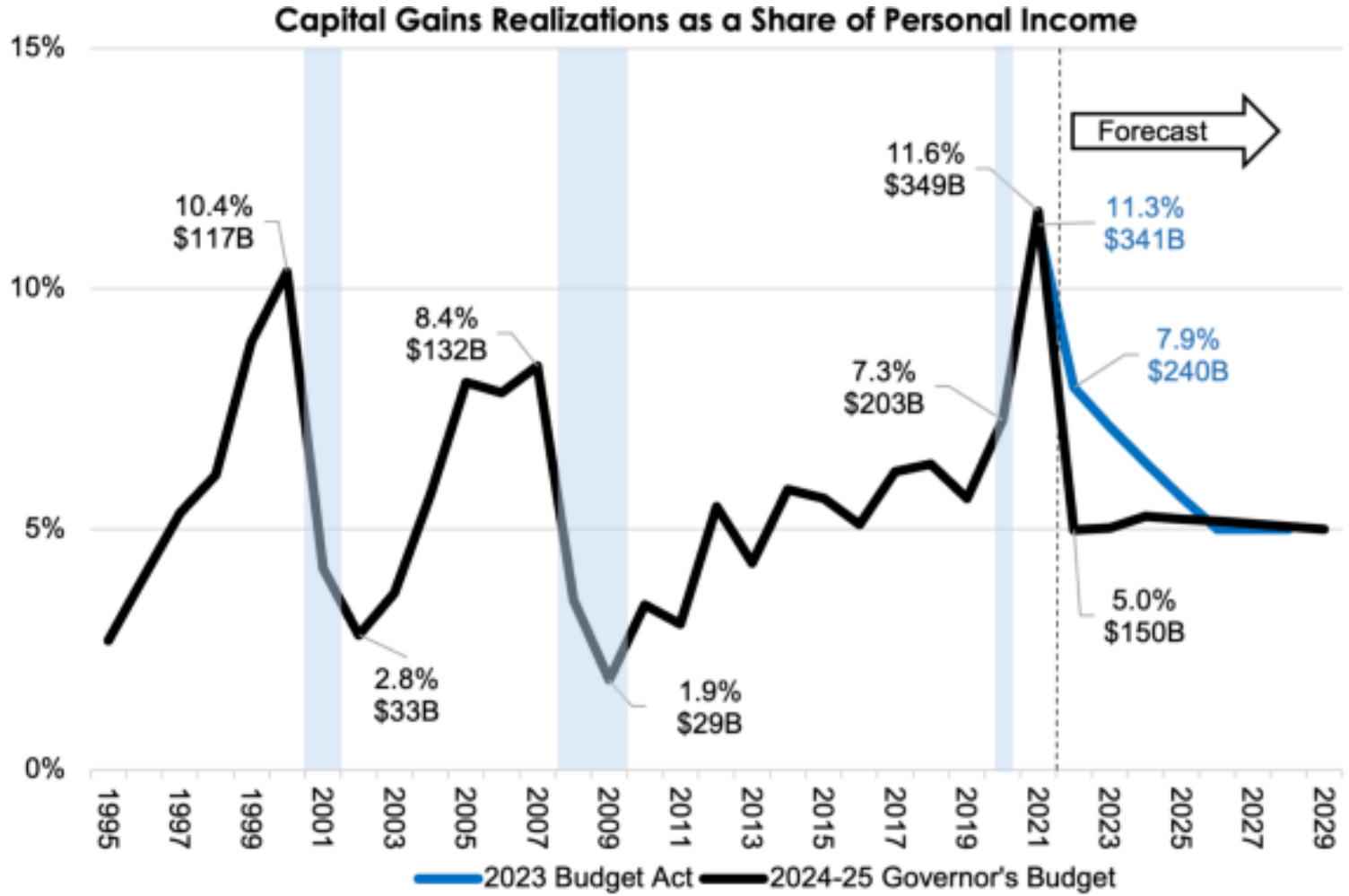
U.S. employment and income are predicted to remain strong

- The Forecast projects stable U.S. unemployment rates through 2025

The national economy is defying historical recession indicators

- Inverted yield curve
- Annual inflation falling from above 5.0% to below 3.0%

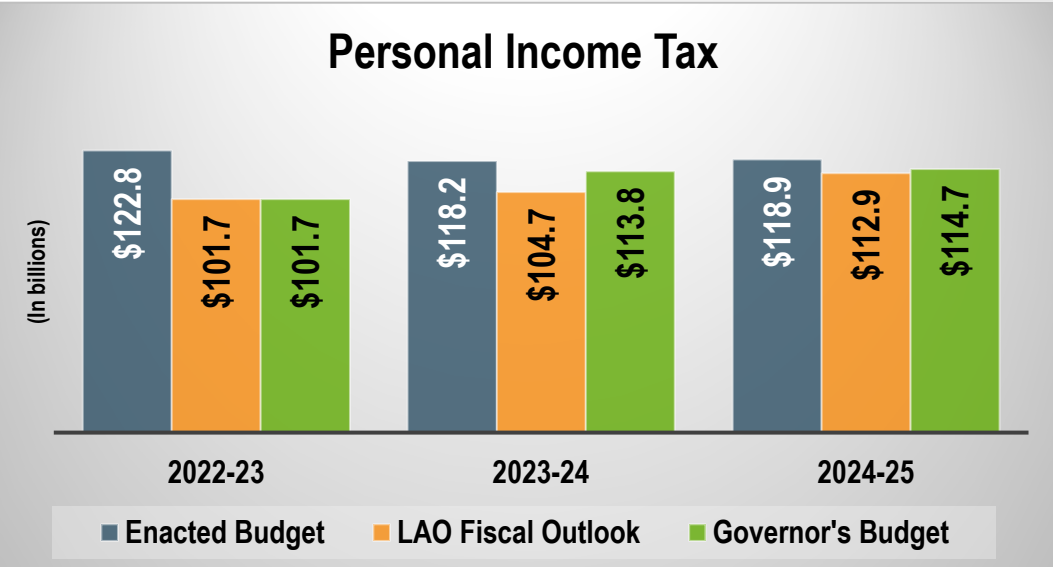
Capital Gains Realizations as a Share of Personal Income



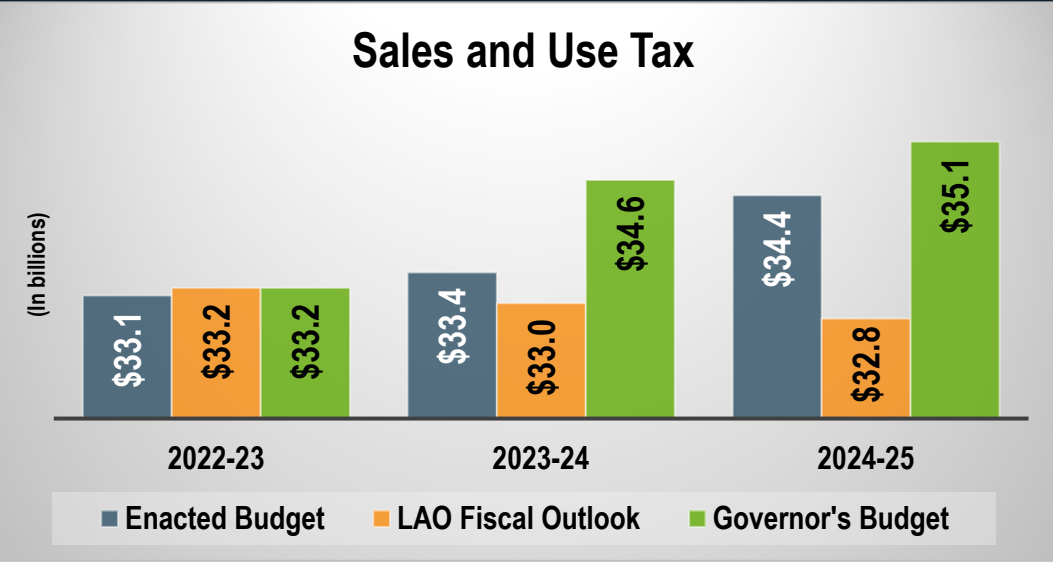
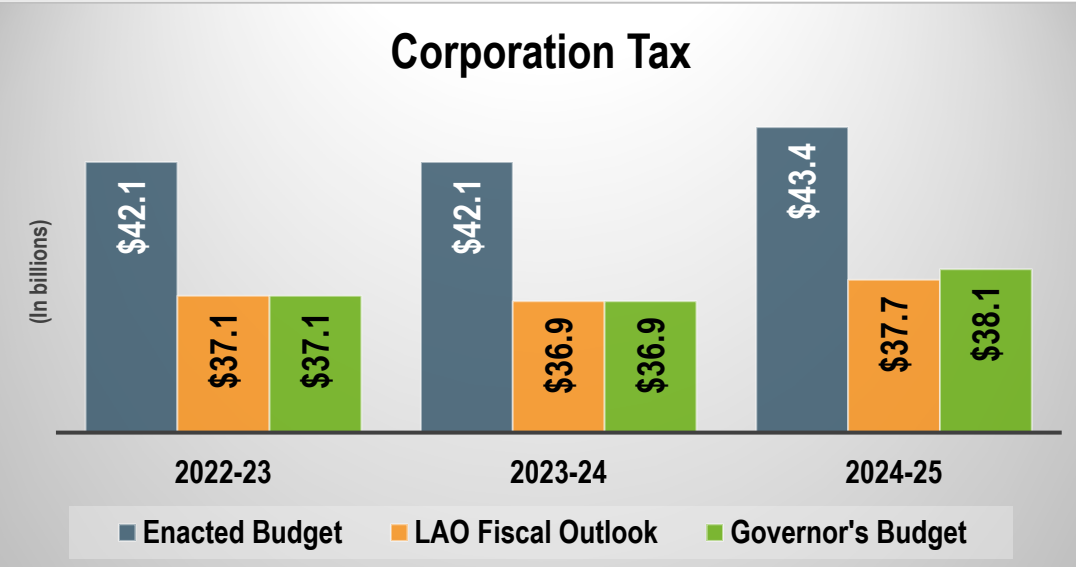
Shaded bars indicate previous U.S. recessions.
 Source: California Department of Finance, 2024-25 Governor's Budget Forecast.

Source: 2024-25 Governor's Budget Summary

Big Three Taxes—Governor’s Budget vs. LAO’s *Outlook*



Personal income tax (PIT) and corporation tax revenue projections are significantly lower at Governor’s Budget than Enacted Budget



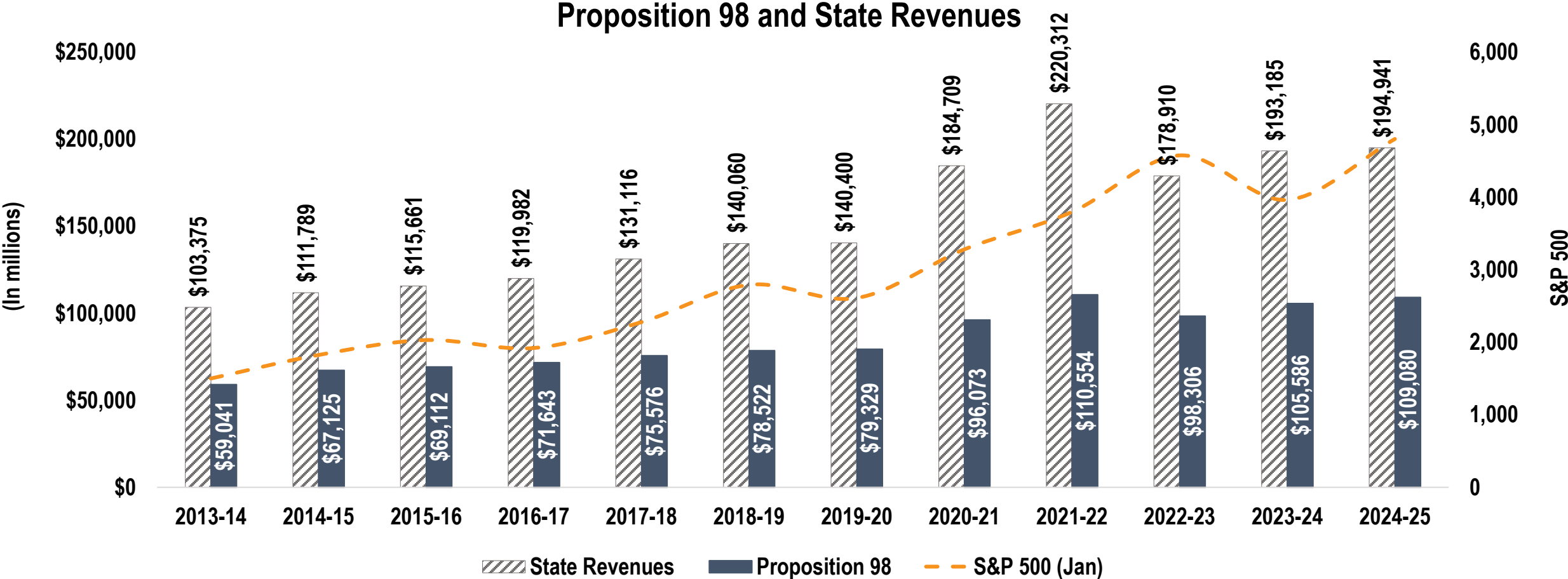
Compared to the LAO’s *California’s Fiscal Outlook (Outlook)*, the Governor’s Budget projections for:

- PIT is \$9.1 billion and \$1.8 billion higher in 2023-24 and 2024-25, respectively
- Corporation tax is slightly higher
- Sales and use tax is higher than both LAO and 2023-24 Enacted Budget projections

Source: 2024-25 Governor’s Budget Summary and LAO’s *Outlook*

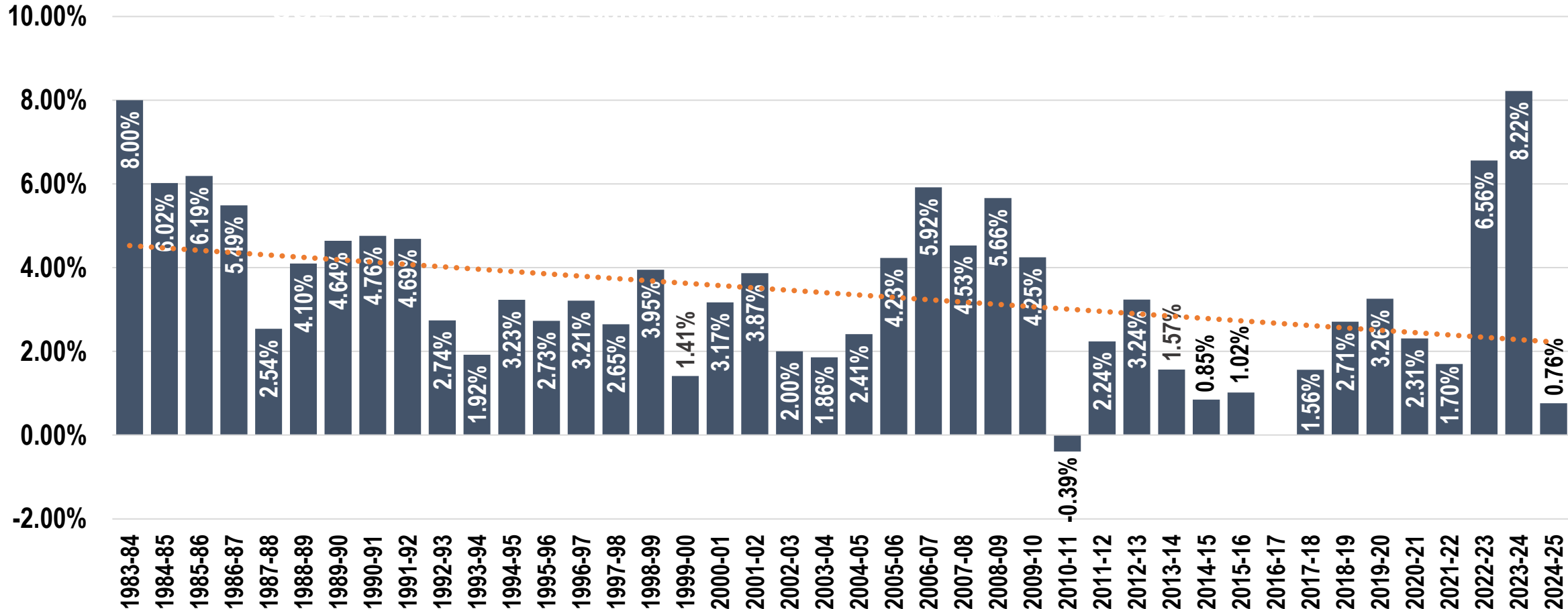
Proposition 98 Over Time

- As we have noted before, General Fund revenues rely heavily on California’s top earners
- Even with the downward adjustments, Proposition 98 continues an upward overall trend



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



What's Not in the Education Budget?

Proposition 98 Cuts

Despite the significant drop in the minimum guarantee from 2021-22 to 2022-23, the Governor's Budget proposes no cuts in overall Proposition 98 funding

Deferrals

Due to the Governor's Budget revenue assumptions and the Administration's treatment of the Proposition 98 minimum guarantee, there is no need for the state to defer payments to LEAs

Sweeps

Unlike last year, the Governor's Budget does not include any proposals to sweep unallocated funds from programs, such as the Community Schools Partnership Program, so LEAs planning for those funds can breathe a sigh of relief . . . *for now*

2024-25 LCFF¹ Funding Factors

Grade Span	TK-3	4-6	7-8	9-12
2023-24 Base Grant per ADA ²	\$9,919	\$10,069	\$10,367	\$12,015
0.76% COLA	\$75	\$77	\$79	\$91
2024-25 Base Grant per ADA	\$9,994	\$10,146	\$10,446	\$12,106
Grade Span Adjustment	\$1,039	–	–	\$315
2024-25 Adjusted Base Grant per ADA	\$11,033	\$10,146	\$10,446	\$12,421
20% Supplemental Grant per ADA ³	\$2,207	\$2,029	\$2,089	\$2,484
65% Concentration Grant per ADA ⁴	\$3,227	\$2,968	\$3,055	\$3,633
TK ⁵ Add-On (inclusive of COLA)	\$3,067	–	–	–

¹Local Control Funding Formula

²Average daily attendance

³Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 20% and unduplicated pupil percentage (UPP)

⁴Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

⁵Transitional kindergarten



Fluctuating Statutory COLAs From the Department of Finance

- The changing statutory COLA is NOT related to the state's financial health
 - Rather, the statutory COLA is computed using federally aggregated metrics
- The statutory COLA is a calculated percentage, but the Governor and Legislature must still determine whether there is sufficient money to fund the statutory COLA
- The significant projected decline in 2024-25 is the result two primary factors:
 - Reversal in price increases that occurred in 2022
 - Revisions to historical data points

	2024-25	2025-26	2026-27
January 2024	0.76%	2.73%	3.11%
June 2023	3.94%	3.29%	3.19%
<i>Percentage Point Decrease</i>	<i>-3.18</i>	<i>-0.56</i>	<i>-0.08</i>

What Does the LCFF Mean for Downey USD?



Downey USD — 2024-25			
	2024-25 LCFF Per-ADA Funding	Projected 2024-25 ADA	Projected 2024-25 LCFF Total Revenue
At 2023-24 First Interim	\$14,401.80	21,025.88	\$302,810,641
Now	\$14,300.89	21,025.88	\$300,688,788
Decrease	(\$100.91)		* (\$2,121,853)

***Equity multiplier in the amount of \$996,331 was transferred from LCFF to Restricted funding.
Net Decrease in LCFF funding was (\$1,125,522) (+ the equity multiplier transfer).**

What Does the LCFF Mean for Downey USD?



Downey USD — 2025-26			
	2025-26 LCFF Per-ADA Funding	Projected 2025-26 ADA	Projected 2025-26 LCFF Total Revenue
At 2023-24 First Interim	\$14,811.78	20,822.57	\$308,419,424
Now	\$14,626.43	20,822.57	\$304,559,859
Decrease	(\$100.91)		* (\$3,859,565)

***Equity multiplier in the amount of \$1,029,110 was transferred from LCFF to Restricted funding.
Net Decrease in LCFF funding is (\$2,830,455) (+ the equity multiplier transfer)..**

State Categorical Programs Receiving COLA

- The Governor’s Budget includes \$65 million to fund the 0.76% COLA for the Equity Multiplier and the following programs:

Adults in Correctional Facilities

American Indian Early Childhood Education Program

American Indian Education Centers

Charter School Facility Grant Program

Child Nutrition

Mandate Block Grant

Special Education

Youth in Foster Care

SSC Financial Projection Dashboard

Planning Factors						
		2023-24	2024-25	2025-26	2026-27	2027-28
DOF ¹ Planning COLA		8.22%	0.76%	2.73%	3.11%	3.17%
California CPI ²		3.36%	2.83%	2.70%	2.72%	2.72%
CalSTRS ³ Employer Rate		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS ⁴ Employer Rate		26.68%	27.80%	28.50%	28.90%	30.30%
Unemployment Insurance		0.05%	0.05%	0.05%	0.05%	0.05%
California Lottery	Unrestricted per ADA	\$177.00	\$177.00	\$177.00	\$177.00	\$177.00
	Restricted per ADA	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00
Mandate Block Grant (District) ⁵	Grades K-8 per ADA	\$37.81	\$38.10	\$39.14	\$40.36	\$41.64
	Grades 9-12 per ADA	\$72.84	\$73.39	\$75.39	\$77.73	\$80.19
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$19.85	\$20.00	\$20.55	\$21.19	\$21.86
	Grades 9-12 per ADA	\$55.17	\$55.59	\$57.11	\$58.89	\$60.76

¹Department of Finance, ²Consumer Price Index, ³California State Teachers' Retirement System, ⁴California Public Employees' Retirement System, ⁵COE Mandate Block Grant: \$38.10 per ADA grades K-8; \$73.39 per ADA grades 9-12; \$1.28 per unit of countywide ADA

Minimum Wage—Future Forecast

- The minimum wage increased to \$16.00 on January 1, 2024, and School Services of California Inc. (SSC) projects an increase of about 40¢-50¢ each January thereafter
- Employers should review city or county ordinances to determine if any local minimum wage standards apply

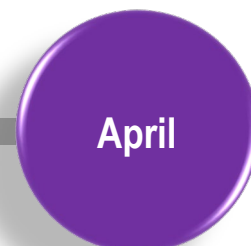
Minimum Wage ¹	Effective Date: >25 Employees	Effective Date: ≤25 Employees	Exempt Minimum Salary (Weekly)	Exempt Minimum Salary (Monthly)	Exempt Minimum Salary (Annually)
\$15.50/hour	January 1, 2023		\$1,240	\$5,373	\$64,480
\$16.00/hour	January 1, 2024		\$1,280	\$5,547	\$66,560
\$16.50/hour	January 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
\$17.70/hour	January 1, 2028		\$1,424	\$6,171	\$74,048
\$18.20/hour	January 1, 2029		\$1,464	\$6,344	\$76,128

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

Budget Approval Timeline – Next Steps



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The Road Ahead

- **Despite a multibillion-dollar budget deficit, the Governor is calling for limited early action on issue areas not affecting education**
- **The next steps in the process are controlled by the Legislature, which has the responsibility to vet the Governor's proposals during budget hearings over the next several weeks and months**
 - **This process coincides with the release of further details on the Governor's Budget proposals, included in trailer bill language, which is usually released at the beginning of February**
 - **The LAO and public also get to weigh in with their feedback and counterproposals**
 - **This process prepares legislators to respond quickly after the next official State Budget checkpoint—the May Revision**

Questions?

Proposition 28 Entitlements & Allocations



Proposition 98: Arts and Music Instruction (Proposition 28)

Arts and Music Programs in Public Schools

\$931 million

Beginning in 2024-25, Proposition 98 is permanently rebenchmarked to include an amount equal to 1.0% of the K-12 share of the minimum guarantee to fund arts and music programs in public schools

Proposition 28 allocations are subject to annual audits to ensure that LEAs:

Certify that 80% of funds will be used to employ LEA staff, if LEA enrollment exceeds 500 students

Certify that funds will be used to *supplement* arts education programs

Certify that no more than 1% will be used for administrative expenses

Audit instructions will be forthcoming with the release of the 2023-24 Audit Guide Supplement in March

Proposition 28: Arts & Music in Schools (AMS) Funding Guarantee and Accountability Act

- **Must spend at least 80% of AMS funds to employ certificated or classified employees to provide arts education instruction**
- **Remaining funds must be used for training, supplies and materials, and arts educational partnership programs**
- **LEAs have 3-years to spend the funds allocated.**





Allowable Uses

- **"Arts education program" includes (but is not limited to) instruction and training, supplies, materials, and arts educational partnership programs for instruction in dance, media arts, music, theatre, and visual arts including folk art, painting, sculpture, photography, craft arts, creative expression including graphic arts and design, computer coding, animation, music composition, ensembles, script writing, costume design, film, and video.**
- **Yes, schools can share teachers and teacher aides as well as community arts partners, and school districts can help facilitate this sharing among schools.**



Calculations and Entitlements

- AMS funding is calculated based on prior year pupil enrollment and prior year enrollment of pupils eligible for free or reduced-price meals (FRPM).
- TK–12 Census Day total enrollment and enrollment of FRPM-eligible pupils are reported in the California Longitudinal Pupil Achievement Data System (CALPADS) as part of the Fall 1 data submission.
- Multiple factors make up the funding entitlement (Total Enrollment and FRPM Counts)

School Site Entitlement Formula and Example Calculation (Gauldin ES)

$$\begin{aligned} & (\textit{Enrollment} \times \textit{Enrollment Factor}) + (\textit{FRPM Count} \times \textit{FRPM Factor}) = \textit{Entitlement} \\ & (\quad 586 \quad \times \quad \$110.5016528 \quad) + (\quad 473 \quad \times \quad \$78.4189736 \quad) = \$101,846 \end{aligned}$$



Entitlements & Allocations by School

SCHOOL SITE NAME	GRADE LEVEL	ENROLLMENT	LOW SOCIO	TOTAL ENTITLEMENT	ADMIN FEES	STAFFING ONLY	UNRESTRICTED
Gauldin (A.L.) Elementary	Elementary	586	110.5016528000 64,754	473	78.4189736000 37,092	101,846	1,018 80,662 20,166
Alameda Elementary	Elementary	835	110.5016528000 92,269	649	78.4189736000 50,894	143,163	1,432 113,385 28,346
Carpenter (C. C.) Elementary	Elementary	552	110.5016528000 60,997	253	78.4189736000 19,840	80,837	808 64,023 16,006
Ward (E. W.) Elementary	Elementary	576	110.5016528000 63,649	465	78.4189736000 36,465	100,114	1,001 79,290 19,823
Lewis (Ed C.) Elementary	Elementary	847	110.5016528000 93,595	572	78.4189736000 44,856	138,451	1,385 109,653 27,413
Unsworth (Edith) Elementary	Elementary	645	110.5016528000 71,274	433	78.4189736000 33,955	105,229	1,052 83,341 20,835
Gallatin Elementary	Elementary	768	110.5016528000 84,865	479	78.4189736000 37,563	122,428	1,224 96,963 24,241
Imperial Elementary	Elementary	595	110.5016528000 65,748	417	78.4189736000 32,701	98,449	984 77,972 19,493
Price (Maude) Elementary	Elementary	779	110.5016528000 86,081	481	78.4189736000 37,720	123,801	1,238 98,050 24,513
Rio Hondo Elementary	Elementary	812	110.5016528000 89,727	601	78.4189736000 47,130	136,857	1,369 108,391 27,098
Rio San Gabriel Elementary	Elementary	756	110.5016528000 83,539	485	78.4189736000 38,033	121,572	1,216 96,285 24,071
Williams (Spencer V.) Elementary	Elementary	630	110.5016528000 69,616	440	78.4189736000 34,504	104,120	1,041 82,463 20,616
Old River Elementary	Elementary	657	110.5016528000 72,600	467	78.4189736000 36,622	109,222	1,092 86,504 21,626
Doty (Wendy Lopour) Middle	Middle	1,327	110.5016528000 146,636	926	78.4189736000 72,616	219,252	2,193 173,648 43,412
Griffiths (Gordon) Middle	Middle	1,296	110.5016528000 143,210	886	78.4189736000 69,479	212,689	2,127 168,450 42,112
Sussman (Edward A.) Middle	Middle	1,122	110.5016528000 123,983	883	78.4189736000 69,244	193,227	1,932 153,036 38,259
Stauffer (Mary R.) Middle	Middle	1,332	110.5016528000 147,188	994	78.4189736000 77,948	225,136	2,251 178,308 44,577
Columbus (Christopher) High	Continuation	492	110.5016528000 54,367	391	78.4189736000 30,662	85,029	850 67,343 16,836
Downey High	High School	4,063	110.5016528000 448,968	2,775	78.4189736000 217,613	666,581	6,666 527,932 131,983
Warren (Earl) High	High School	3,437	110.5016528000 379,794	2,393	78.4189736000 187,657	567,451	5,675 449,421 112,355
Virtual Academy at Pace	Alternative	331	110.5016528000 36,576	252	78.4189736000 19,762	56,338	563 44,620 11,155
Woodruff Academy	Community Day	17	110.5016528000 1,879	13	78.4189736000 1,019	2,898	29 2,295 574
						3,714,690	37,147 2,942,034 735,509
Elementary Schools						1,486,089	14,861 1,176,982 294,246
Middle Schools						850,304	8,503 673,441 168,360
High Schools						1,319,061	13,191 1,044,696 261,174
Other Programs						59,236	592 46,915 11,729



Educational Services