



BUDGET WORKSHOP

Presented to the Governing Board
on February 8th, 2023



Governor's Proposed Budget

The Governor's Budget is focused on maintaining programs where possible while trimming others

- As the COVID-19 crisis recedes, other crises receive more attention—homelessness, housing, and extreme weather

As bare bones as it is, the Governor's Budget is precariously balanced and a change in the economic forecast could require more difficult decisions at the May Revision.

As Governor Newsom unveils the first budget of his second term in office, the state faces new challenges. Fires have been doused by atmospheric rivers and overflowing coffers are now perniciously empty as the costs of addressing the states crises mount.

Governor's Proposed Budget

- Projects significant decreases for Personal Income Tax, Corporate Tax and Sales and Use Tax, all of the Big Three taxes
- Assumes a slower economic growth but does **not** assume a recession
- Trues up prior 2 years of Proposition 98 minimum guarantee
 - Increases 2021-22 by \$200 million
 - Reduces 2022-23 by \$3.4 billion
- Proposes purchasing power with a 8.13% COLA to take center stage, amidst lean Proposition 98 resources
- Remains committed to key priorities in Transitional Kindergarten (TK) and the Expanded Learning Program (ELP)
- Cancels new ongoing and one-time categorical programs

THE ECONOMY & STATE REVENUES



\$29.5 Billion

Budget shortfall over the 3-year budget window (2021-22, 2022-23, and 2023-24)

Significant Reductions to the "Big Three" Tax Revenues compared to the 2022-23 Enacted Budget

Budget Year	Personal Income Tax	Sales and Use Tax	Corporation Tax
2022-23	-6.3%	-3.2%	No Change
2023-24	-11.8%	-4.3%	-6.4%

Risks to the Budget

- Protracted and sustained inflation
- Slower growth in personal income tax
- Contracting employment



Will the Governor and lawmakers need to dip into rainy day funds to avoid cuts?

PROPOSITION 98

\$108.8 Billion

Represents a \$1.5 billion reduction for 2023-24 compared to the current-year Enacted Budget estimates



PROP 98 RESERVE

\$8.5 Billion

Down from \$9.5 billion in the 2022-23 Enacted Budget. The Governor's Budget revises prior-year deposits based on updated revenues, and estimates a required \$365 million deposit in 2023-24. This triggers the local cap on reserves.



MID-YEAR CUT

\$1.2 Billion

Arts, Music, and Instructional Materials Discretionary Block Grant

The Enacted Budget includes \$3.5 billion for a discretionary block grant. The Governor's budget proposed reducing this to \$2.3 billion.



Continued Commitments

Programs Unchanged by the Governor's Budget:

- Expanded Learning Opportunities Program (ELP)
- Universal Transitional Kindergarten (TK)
- Universal Meals Program
- Home-to-School Transportation
- Special Education Funding
- Educator Workforce Programs
- Community Schools Partnership Programs





Cost-of-Living-Adjustment



Cost of Living Adjustment (COLA) Model

Planning Factors					
	2022-23	2023-24	2024-25	2025-26	2026-27
DOF ¹ Planning COLA <i>(Proposed)</i>	6.56%	8.13%	3.54%	3.31%	3.23%
California CPI ² +	6.00%	3.44%	2.77%	2.49%	2.74%
Unemployment Insurance	0.50%	0.20%	0.20%	0.20%	0.20%
CalSTRS	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS	25.37%	27.00%	28.10%	28.80%	28.80%



Base Grant Increase

Grade Span	TK	K-3	4-6	7-8
2022-23 Base Grant per ADA	\$9,166	\$9,166	\$9,304	\$9,580
8.13% COLA <i>(Proposed)</i>	\$745	\$745	\$756	\$779
2023-24 Base Grant per ADA	\$9,911	\$9,911	\$10,060	\$10,359
Grade Span Adjustment	\$1,031	\$1,031	\$0	\$0
TK add-on (inclusive of COLA)	\$3,042			
2023-24 Adjusted Base Grant per ADA	\$13,984	\$10,942	\$10,060	\$10,359
20% Supplemental Grant per ADA (Total UPP)	\$0	\$2,188	\$2,012	\$2,072
65% Concentration Grant per ADA (UPP above 55%)	\$0	\$7,112	\$6,539	\$6,733



Cost of Living Adjustment (COLA) Model

Forecast for LGSD

Proposed 8.13% COLA and Projected Impact to Lemon Grove LCFF Funding

Description	No Change in Enrollment	3% Decline Projected
2022-23 Funded ADA	3171	3171
Prior Year \$ per ADA	\$12,445	\$12,445
Prior Year Total	\$39,463,095	\$39,463,095
2023-24 Funded ADA	3171	3077
\$ per ADA with Cola *	\$13,457	\$13,457
LCFF Total	\$42,672,147	\$41,407,189
Percent Change	8.13%	4.93%

* No COLA for LCFF Add-On's



Declining Enrollment

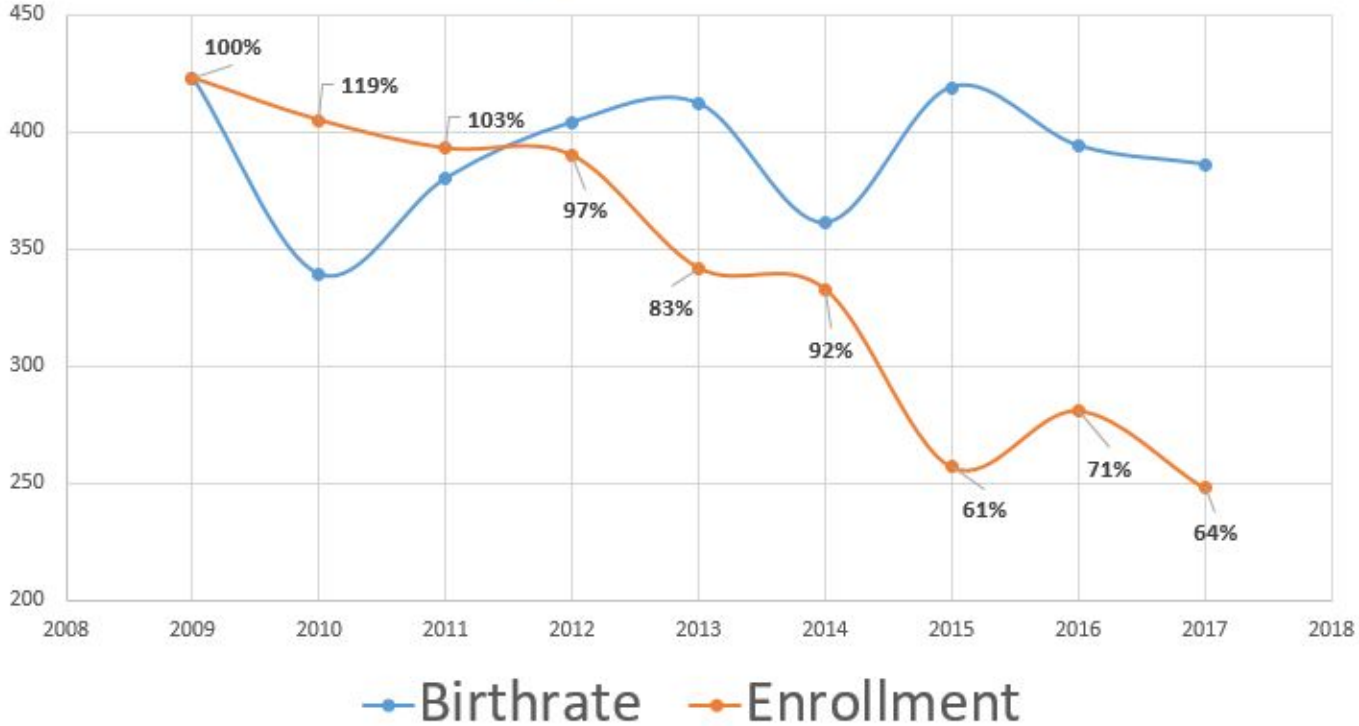
Declining Enrollment

31% decline from 1998-2023



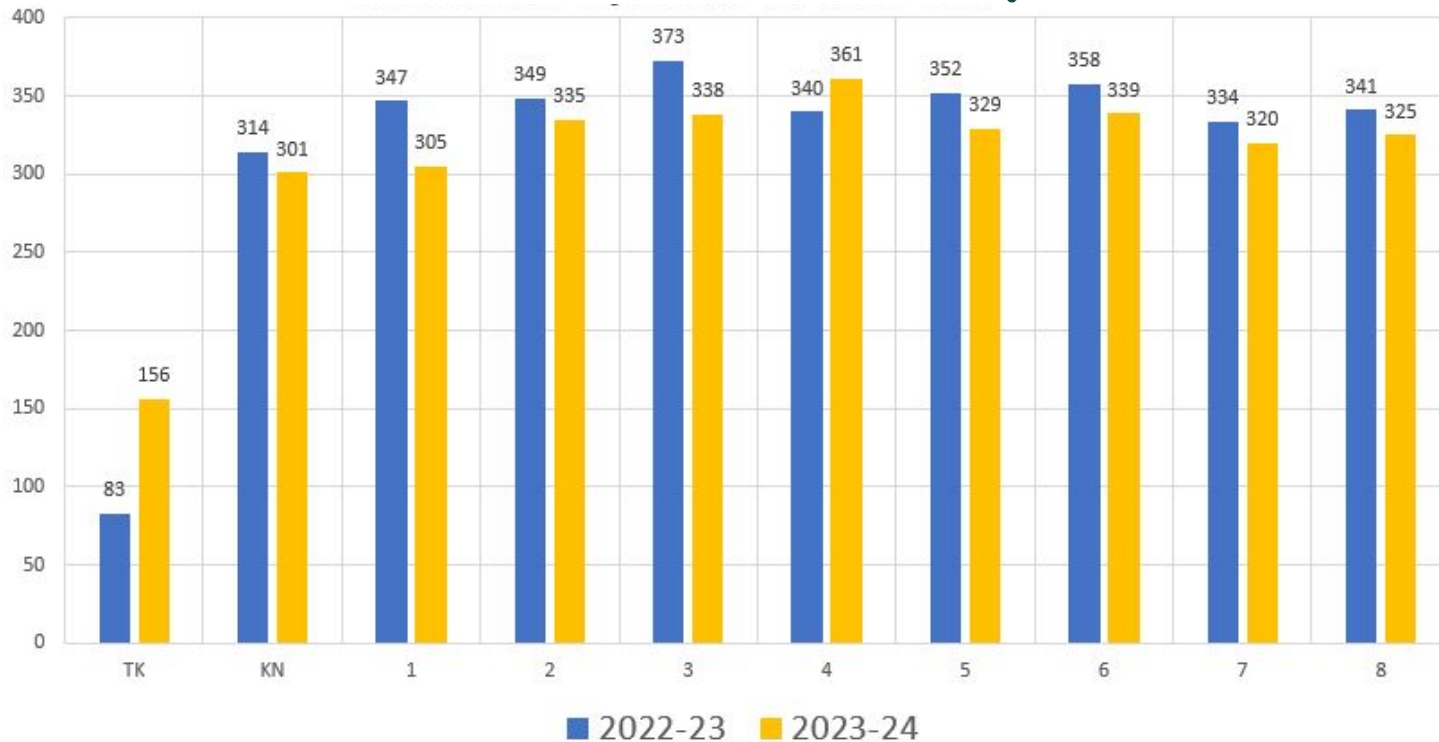
Where are the Kindergarten Students going?

*Enrollment excludes VLMA



*Birth Rate data from California Health and Human Services

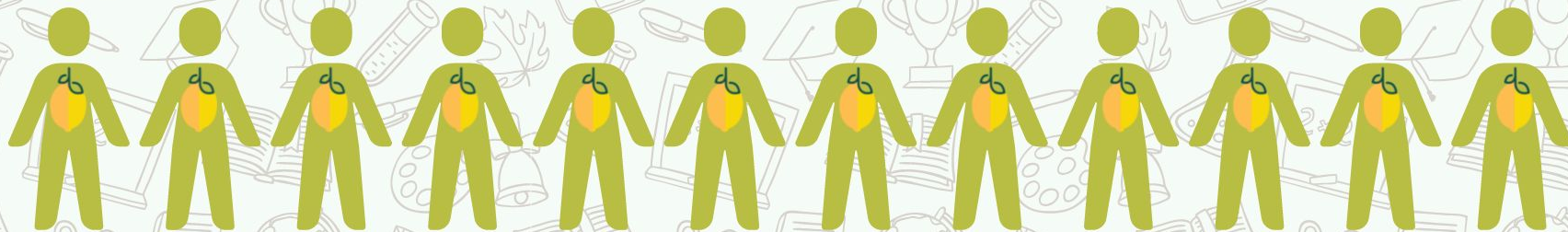
2023-24 Enrollment Projections



Early Childhood

Governor's Proposal affirms commitments to expand Transitional Kindergarten

District commits to serve all 4 year olds in School Year 2023-24 regardless of the student birthdate



Phase 1

S O N D J F M A M J J A



2022-23

September 2 - January 2 Birthdays

Phase 2

S O N D J F M A M J J A



2023-24

September 2 - April 2 Birthdays

Phase 3

S O N D J F M A M J J A



2024-25

September 2 - May 2 Birthdays

Phase 4

S O N D J F M A M J J A



2025-26

September 2 - September 1 Birthdays



Attendance

As of 2022-23 the LCFF attendance calculation provides school districts with 3 methods for calculating funded attendance rates.

District apportionments will be calculated at the greater of:

2021-2022 ADA

2,837 | 87.3%

2022-2023 ADA (est.)

2,869 | 90.5%

Average of three (3) Prior Years

1. 2019-2020 | 3,239
2. 2020-2021 | 3,239
3. 2021-2022 | 2,837

2,982

Funded ADA

2022-23 P1 Attendance

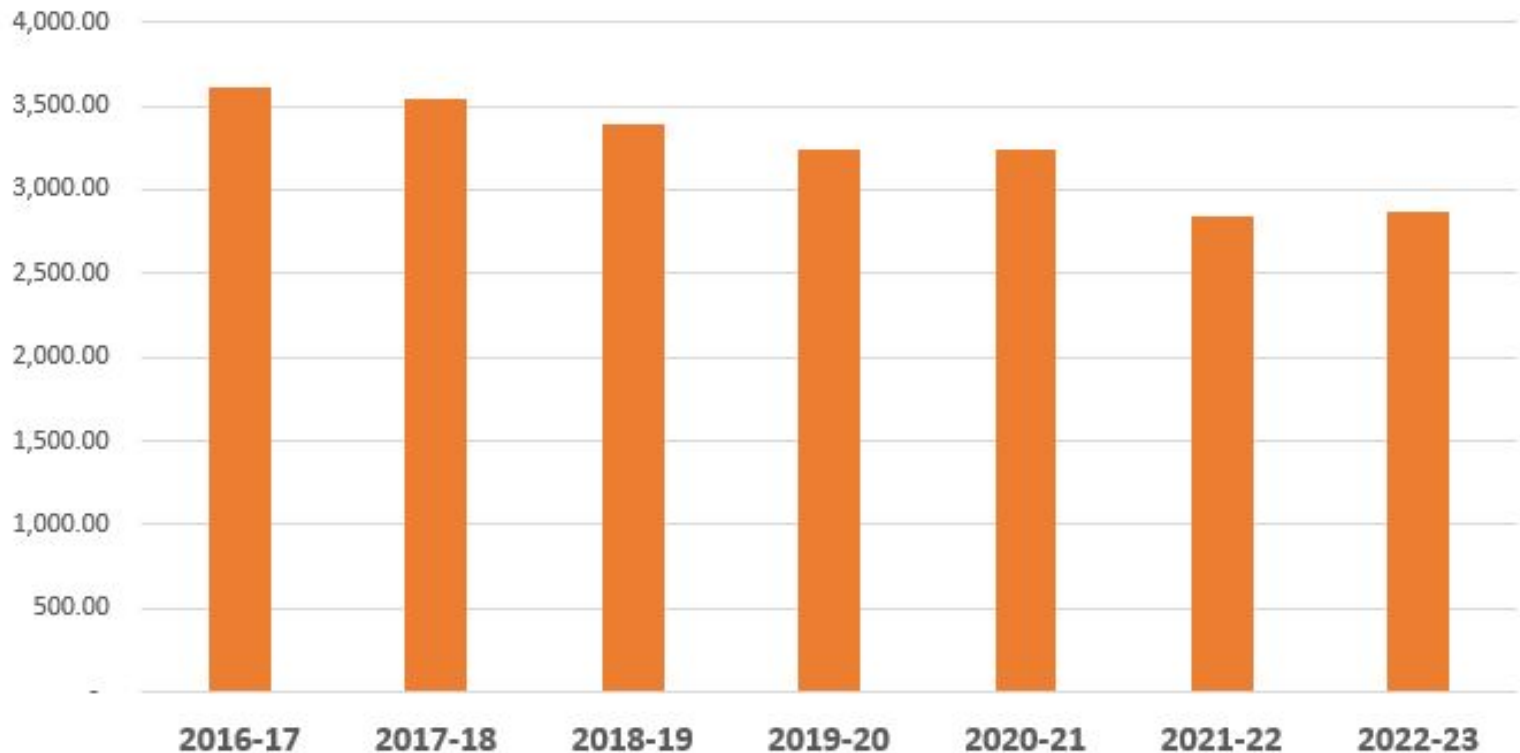


- Lemon Grove Elem 88.6%
- Lemon Grove Middle 90.2%
- Early Childhood 84.2%
- Monterey Heights 92.2%
- Mount Vernon 92.1%
- San Miguel 90.8%
- San Altos 90.5%
- Vista La Mesa 91.2%

- **Average Attendance @ P1 = 91%**

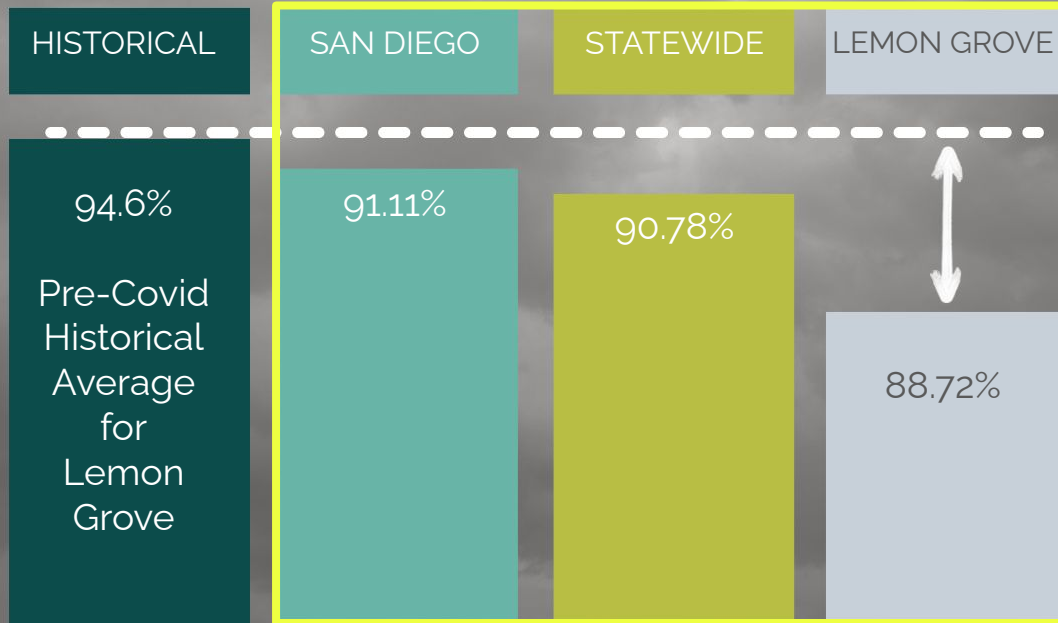
- **Historically attendance drops 0.5% - 1.0% from P1 to P2**

Historical Attendance



2021-22 COVID Attendance

- A look at attendance rates during the COVID Era. How did Lemon Grove compare across the county and state?





Board Commitments

A chalkboard background with several lightbulbs drawn in white chalk. The lightbulbs are scattered across the left and center of the board, with some having short lines radiating from them to indicate they are lit. The largest lightbulb is on the right side, and a thick horizontal line is drawn across the middle of the board.

Big Picture Commitments

How much is already spent?

Annual Commitments:

- Supplemental Employee Retirement Plan SERP \$354k (Year 3 of 5)
- Curriculum Reserve \$250k
- Deferred Maintenance 0.5%
- Special Education Contribution \$4.4M

New Commitments

- Certificate of Participation COP \$1M (Year 1 of 10)



PROJECTED Expenses per ADA

Cost Pressures	Increase
PERS (25.37% - > 27.00%)	1.63%
STRS (19.10% - > 19.10%)	0.00%
Step & Column	2.00%
On-Schedule (To Be Negotiated)	0.00%
Workers Compensation Insurance	0.25%
Health & Welfare	6.50%
Unemployment Insurance	-0.30%
Utilities	15.00%
Routine Restricted Maintenance Account (RRMA)	3.00%
Special Education Contribution	5.00%

Adjourn to Closed Session



Lemon Grove
LEMON GROVE

Lemon Grove
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