



2024-25 LUSD First Interim Budget

December 12, 2024

Presentation Overview

01

US and CA Economic
Outlook

02

Education Budget Update

03

2024-25
LUSD First Interim
Budget

04

Next Steps



01

US and CA Economic Outlook

US and CA Economic Outlook

- ❑ Overall the US economy has been positive. Unemployment rate at a level of 4.2%; GDP (Gross Domestic Product) at 2.7% annual rate; and inflation rate (CPI/Consumer Price Index) at 2.9%. The inflation outlook continues to improve, with 2025 forecasted to be 2.3%.
- ❑ **California, however shows a mixed picture.**
 - ❑ **2025 projections:**
 - ❑ Modest job growth
 - ❑ Unemployment with slight increase
 - ❑ Large losses in the technology, media, and entertainment industries
 - ❑ Labor force still 1% below pre-pandemic level

LAO Revenue Estimates Are Up Compared With June Budget Estimates

- **Most State Revenue Comes From the “Big Three”—
Personal Income, Sales, and Corporation Taxes**
- **We Estimate “Big Three” Taxes Are Up \$7.1 Billion**

“Big Three” Tax Estimates <i>In Billions</i>			Change	
	June Budget	LAO Estimate	Amount	Percent
2023-24	\$177.8	\$180.2	\$2.4	1.3%
2024-25	193.2	197.0	3.8	2.0
2025-26	199.5	200.4	0.9	0.4
Three-Year Totals	\$570.5	\$577.6	\$7.1	1.2%

Without Broader Economic Improvement, Revenue Gains Are On Shaky Ground

➤ **Revenue Gains From the Stock Market Are Precarious**

- Stock prices are near historically high levels when compared with corporate earnings, and stock market rallies can reverse quickly.
- State revenues depend heavily on a relatively small number of companies—stock pay alone at four major companies accounted for 10 percent of total state income tax withholding in the first half 2024.

➤ **Inflation Is Another Source of Uncertainty**

- The state economy has proven especially sensitive to higher interest rates and other efforts by the Federal Reserve to bring down inflation.
- Recent trends toward lower inflation and lower interest rates bode well for the state economy, but a reversal could weaken it further.

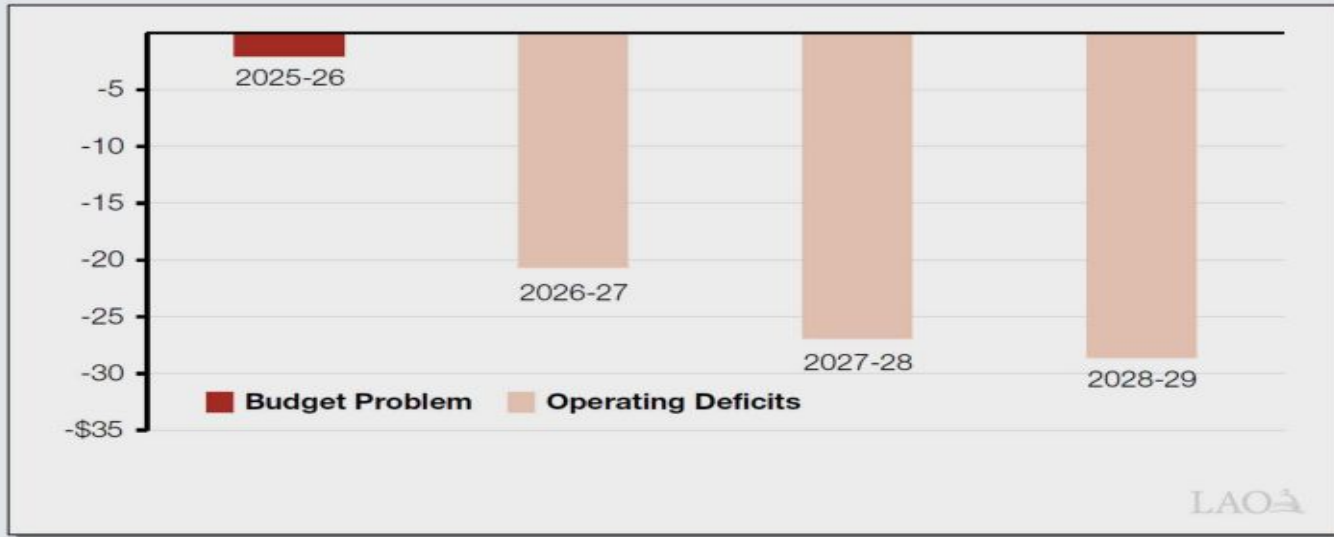
Under LAO Outlook, State Budget Roughly Balanced in 2025-26

LAO Outlook Estimates (In Millions)

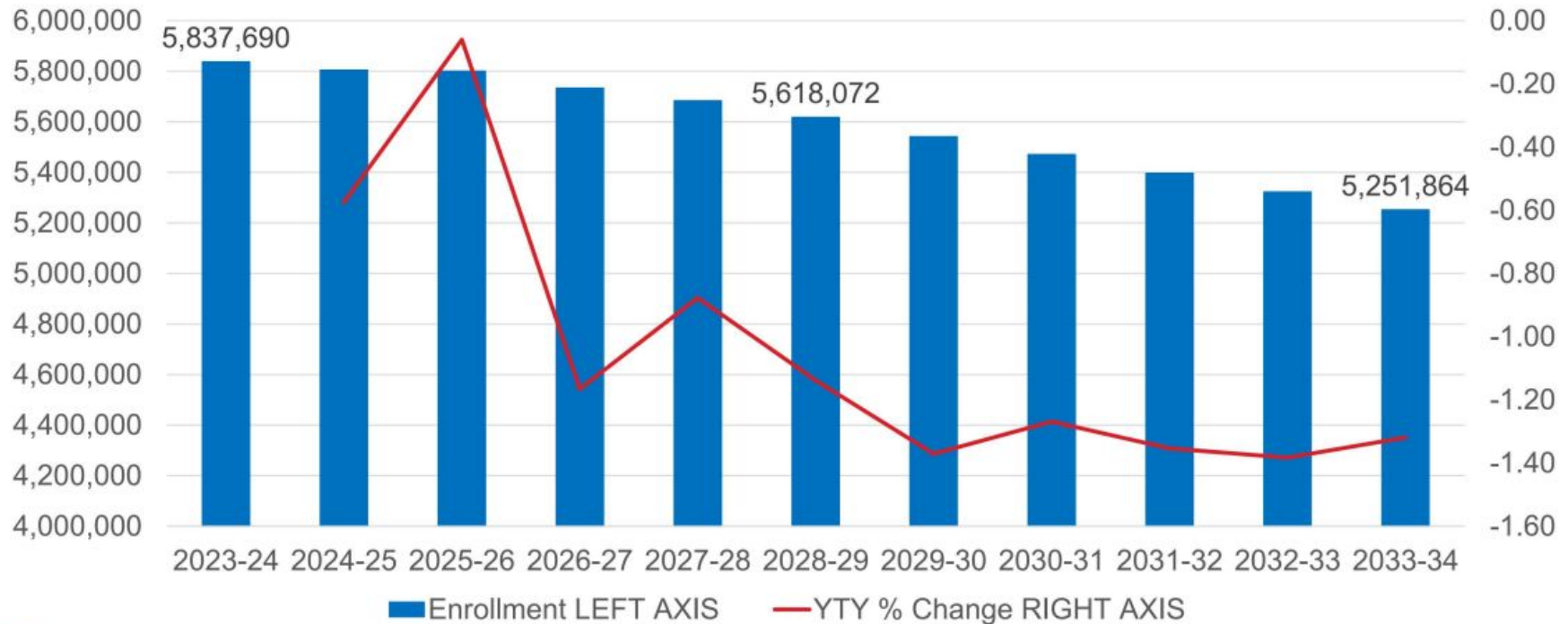
	2023-24	2024-25	2025-26
Prior-year fund balance	\$47,119	\$15,875	\$13,881
Revenues and transfers	191,536	215,951	217,970
Expenditures	222,781	217,944	223,303
Ending fund balance	\$15,875	\$13,881	\$8,549
Encumbrances	\$10,569	\$10,569	\$10,569
SFEU balance	\$5,306	\$3,312	-\$2,020
Reserves			
BSA balance	\$22,796	\$17,870	\$10,770
Safety Net Reserve	900	—	—
SFEU = Special Fund for Economic Uncertainties.			

Large Deficits Would Emerge After 2025-26

(In Billions)



School Age Enrollment Projections, California

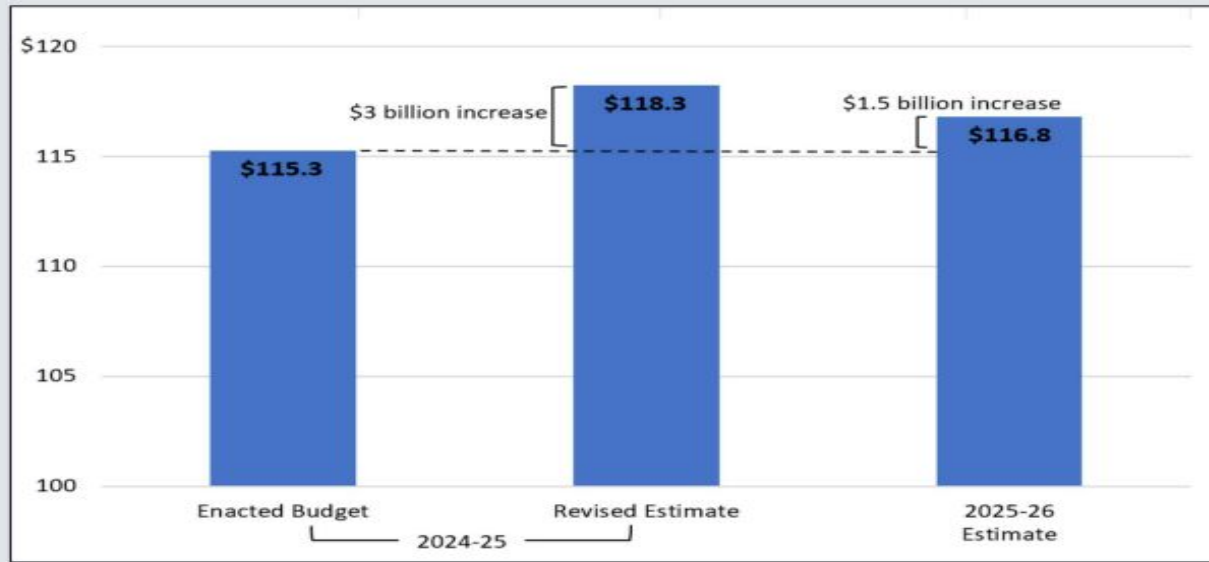


Education Budget Update

02

Growth in Proposition 98 Guarantee Anticipated in 2024-25 and 2025-26

(In Billions)



Increase in 2024-25 Deposited Into Proposition 98 Reserve

➤ Reserve Deposits and Withdrawals Controlled by Formulas

- Rules for the reserve established by Proposition 2 (2014).
- Deposits required when two basic conditions are met:
 - Minimum guarantee is above the previous year's funding level, adjusted for inflation and changes in statewide attendance.
 - State receives large amount of capital gains revenue.

➤ Higher Capital Gains Trigger Deposit Requirement

- Under our outlook, the formulas require the state to deposit nearly all of the \$3 billion increase in Proposition 98 into the reserve.
- The total reserve balance would grow to \$3.7 billion.
- The local reserve cap would apply for the following year (2025-26).

Statutory Cost-of-Living Adjustment (COLA)

➤ **Estimate of COLA Rate in 2025-26 Is 2.46 Percent**

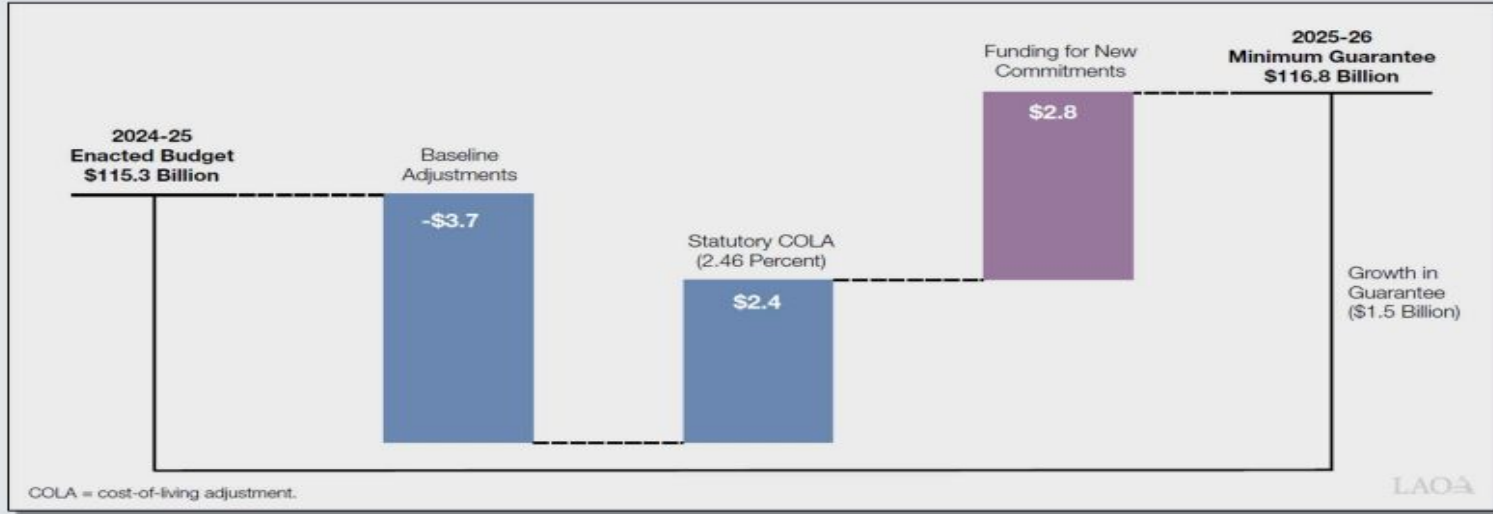
- The COLA rate is determined by a national price index for state and local governments and finalized in late April before the start of the year.
- Our estimate reflects preliminary data for six of the eight quarters affecting the calculation (and projections for the remaining two).
- The rate is slightly below the historical average of about 3 percent.
- Cost of covering this COLA rate is \$2.4 billion.

➤ **Somewhat Higher COLAs Assumed in Future Years**

- Estimate of 3.1 percent in 2026-27 and 3.8 percent in 2027-28.
- Actual COLA rates can differ dramatically from estimates made more than a year in advance.

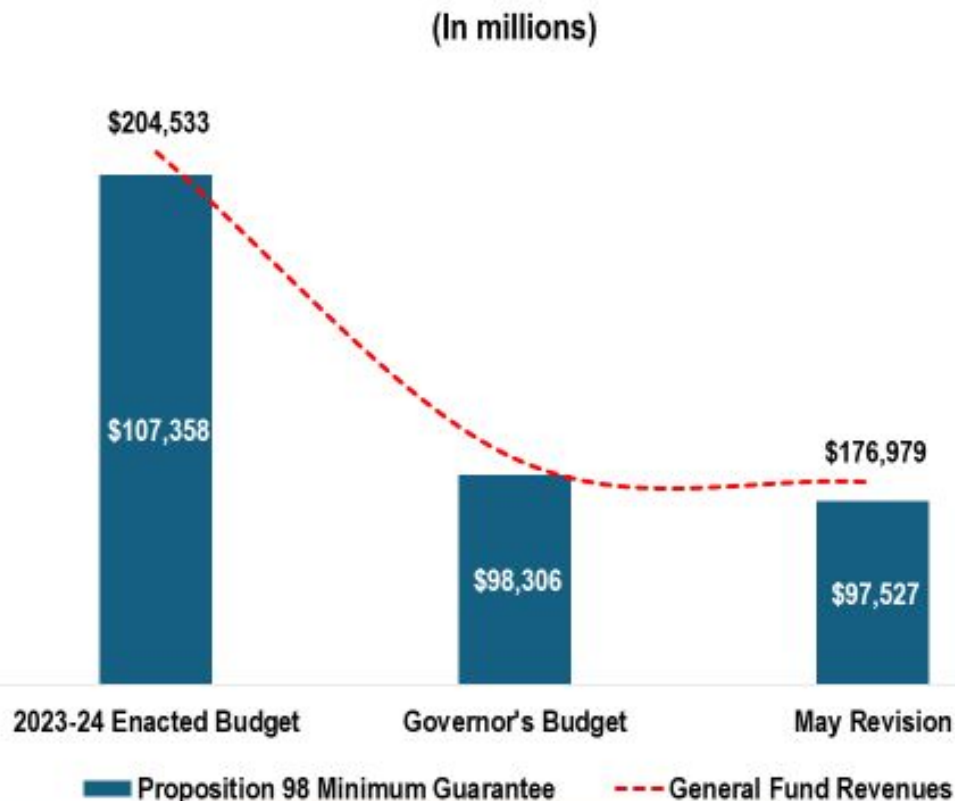
State Would Have \$2.8 Billion for New K-14 Commitments After Covering COLA

2025-26 Funding Estimates (In Billions)

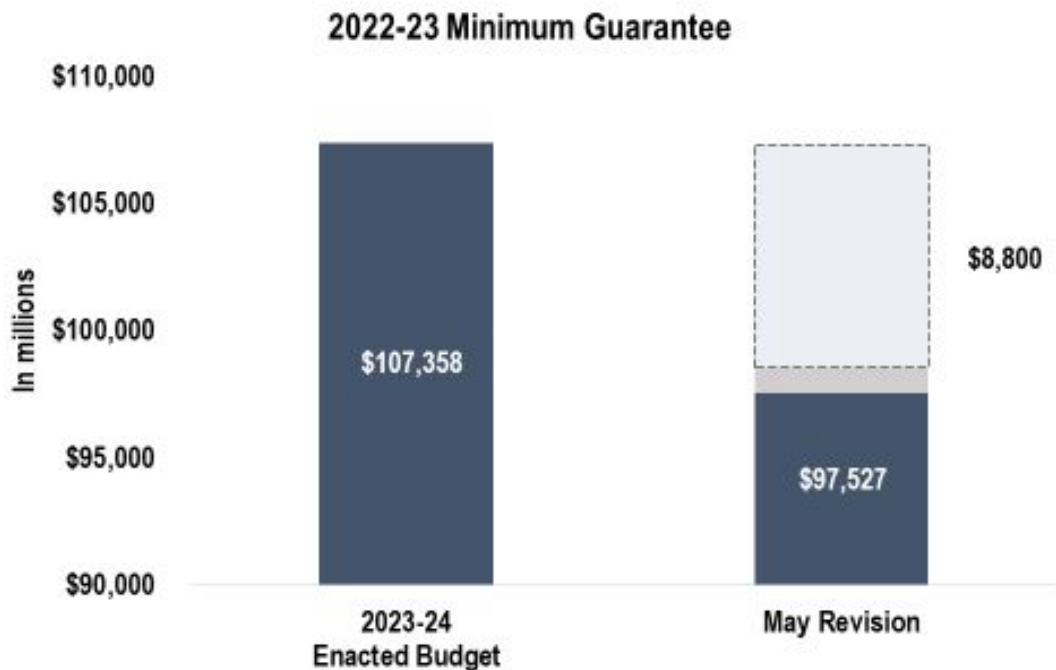


The 2022-23 Conundrum

- In that Proposition 98 spending consumes nearly 40% of all state General Fund revenues, the 2022-23 appropriation above the revised minimum guarantee in the May Revision creates a significant budget dilemma
- *Why are we here?* The 2022 personal income and corporation taxes came in \$26 billion below estimates



The 2022-23 “Maneuver”



- From January to May, the amount appropriated to LEAs in 2022-23 above the revised minimum guarantee increased by \$800 million, totaling \$8.8 billion
- State Budget resources in 2022-23 cannot absorb the overpayment to education
- The May Revision maintains the Governor’s proposal to accrue the budget impact of the excess funding over five years, beginning in 2025-26 with annual payments of \$1.8 billion

LUSD
2024-25
First
Interim
Budget

03

2024-25 LCFF Funding Factors

Grade Span	TK-3	4-6	7-8	9-12
2023-24 Base Grant per ADA	\$9,919	\$10,069	\$10,367	\$12,015
1.07% COLA	\$106	\$108	\$111	\$129
2024-25 Base Grant per ADA	\$10,025	\$10,177	\$10,478	\$12,144
GSA	\$1,043	–	–	\$316
2024-25 Adjusted Base Grant per ADA	\$11,068	\$10,177	\$10,478	\$12,460
20% Supplemental Grant per ADA¹	\$2,214	\$2,035	\$2,096	\$2,492
65% Concentration Grant per ADA²	\$3,237	\$2,977	\$3,065	\$3,645
TK Add-On (inclusive of COLA)	\$3,077	–	–	–

¹Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 20% and UPP

²Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

**LCFF PLANNING FACTORS**

Factor	2023-24 ¹	2024-25 ²	2025-26	2026-27	2027-28
Department of Finance Statutory COLA	8.22%	1.07%	2.93%	3.08%	3.30%

OTHER PLANNING FACTORS

Factors	2023-24	2024-25	2025-26	2026-27	2027-28	
California CPI	3.46%	3.23%	2.86%	2.81%	2.85%	
California Lottery	Unrestricted per ADA	\$211	\$191	\$191	\$191	\$191
	Restricted per ADA	\$102	\$82	\$82	\$82	\$82
Mandate Block Grant (District) ⁴	Grades K-8 per ADA	\$37.81	\$38.21	\$39.33	\$40.54	\$41.88
	Grades 9-12 per ADA	\$72.84	\$73.62	\$75.78	\$78.11	\$80.69
Mandate Block Grant (Charter) ⁵	Grades K-8 per ADA	\$19.85	\$20.06	\$20.65	\$21.29	\$21.99
	Grades 9-12 per ADA	\$55.17	\$55.76	\$57.39	\$59.16	\$61.11
Interest Rate for Ten-Year Treasuries	4.26%	3.89%	3.58%	3.60%	3.50%	
CalSTRS Employer Rate ⁶	19.10%	19.10%	19.10%	19.10%	19.10%	
CalPERS Employer Rate ⁵	26.68%	27.05%	27.60%	28.00%	29.20%	
Unemployment Insurance Rate ⁷	0.05%	0.05%	0.05%	0.05%	0.05%	
Minimum Wage ⁸	\$16.00	\$16.50	\$17.00	\$17.40	\$17.80	

2024-25 LUSD Revenues

- ❖ 1.07% Statutory COLA
 - Includes:
 - Child Nutrition
 - Special Education
 - Mandate Block Grant
- ❖ 2% Increase to property taxes
- ❖ Lottery increased from June 2024
 - Unrestricted \$177 to \$191= \$14
 - Restricted \$72 to \$82=\$10

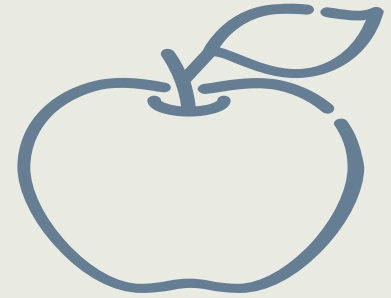
2024-25 LUSD Expenditures

- ❖ Step and Column increase
 - 2% Certificated
 - 1.5% Classified
- ❖ STRS
 - 19.1%
- ❖ PERS
 - 27.05%
- ❖ Operational increases
 - 10%

2024-25 LUSD Student Data

❖ Student

- Enrollment
 - 4,485
- Average Daily Attendance
 - 4,258.57 = 94.95%
- Unduplicated Pupil Count (UPP)
 - 1,982
- UPP Percentage
 - 42.50%

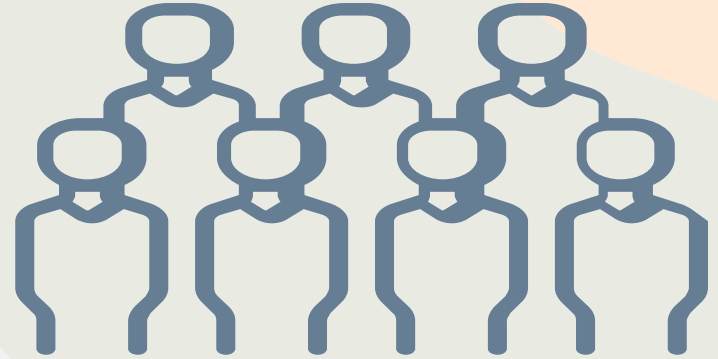


2024-25 LUSD Staff



Staff FTE

- Certificated
 - 271.2
- Classified
 - 250.6
- Management/Confidential
 - 31.8

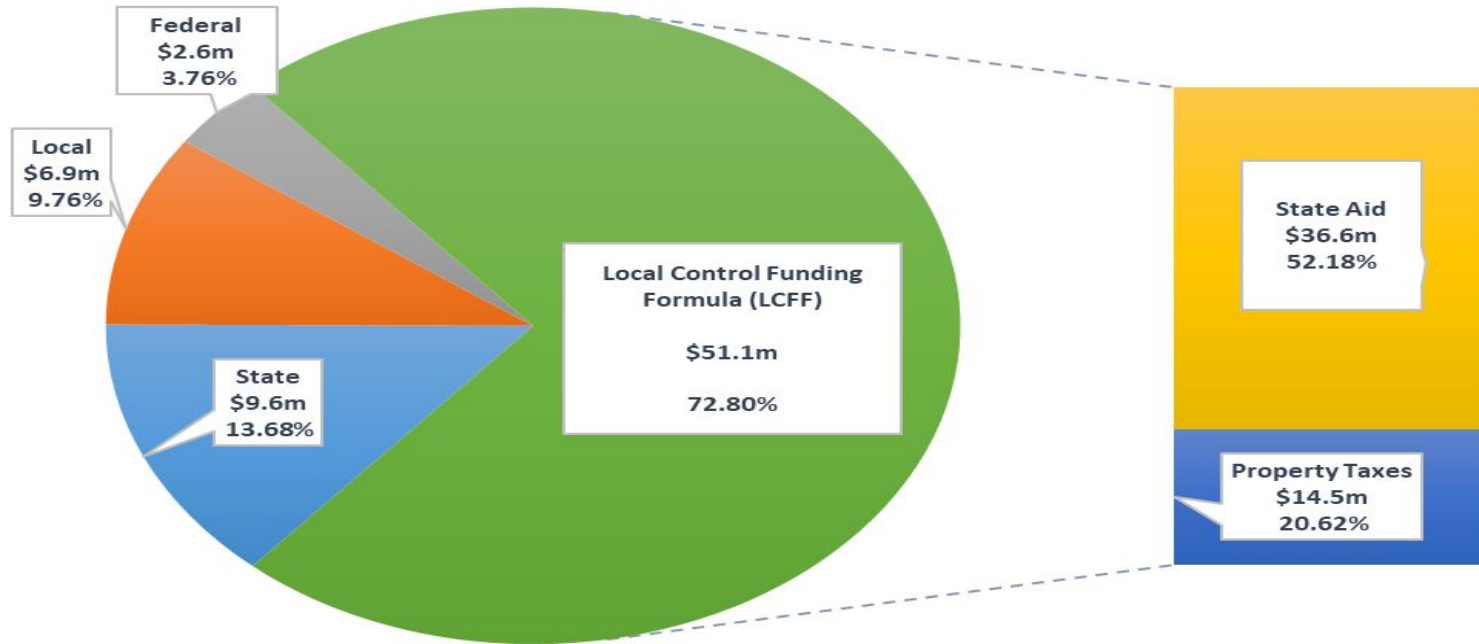


General Fund Overview

2024-25 General Fund	Unrestricted	Restricted	Combined
Revenues	\$53,667,220	\$16,595,291	\$70,262,511
Expenditures	<u>47,781,604</u>	<u>31,181,353</u>	<u>78,962,957</u>
Surplus(Deficit)	5,885,616	(14,586,062)	(8,700,446)
Contributions/Transfers	(9,750,918)	9,750,918	(0)
Net +/- Fund Balance	(3,865,302)	(4,835,144)	(8,700,446)
July 1, Beginning Fund Balance	6,537,352	14,224,620	20,761,971
June 30, Est. Ending Fund Balance	2,672,050	9,389,476	12,061,525
Unrestricted Fund Reserve %	3.38%		

2024-25 General Fund Revenues

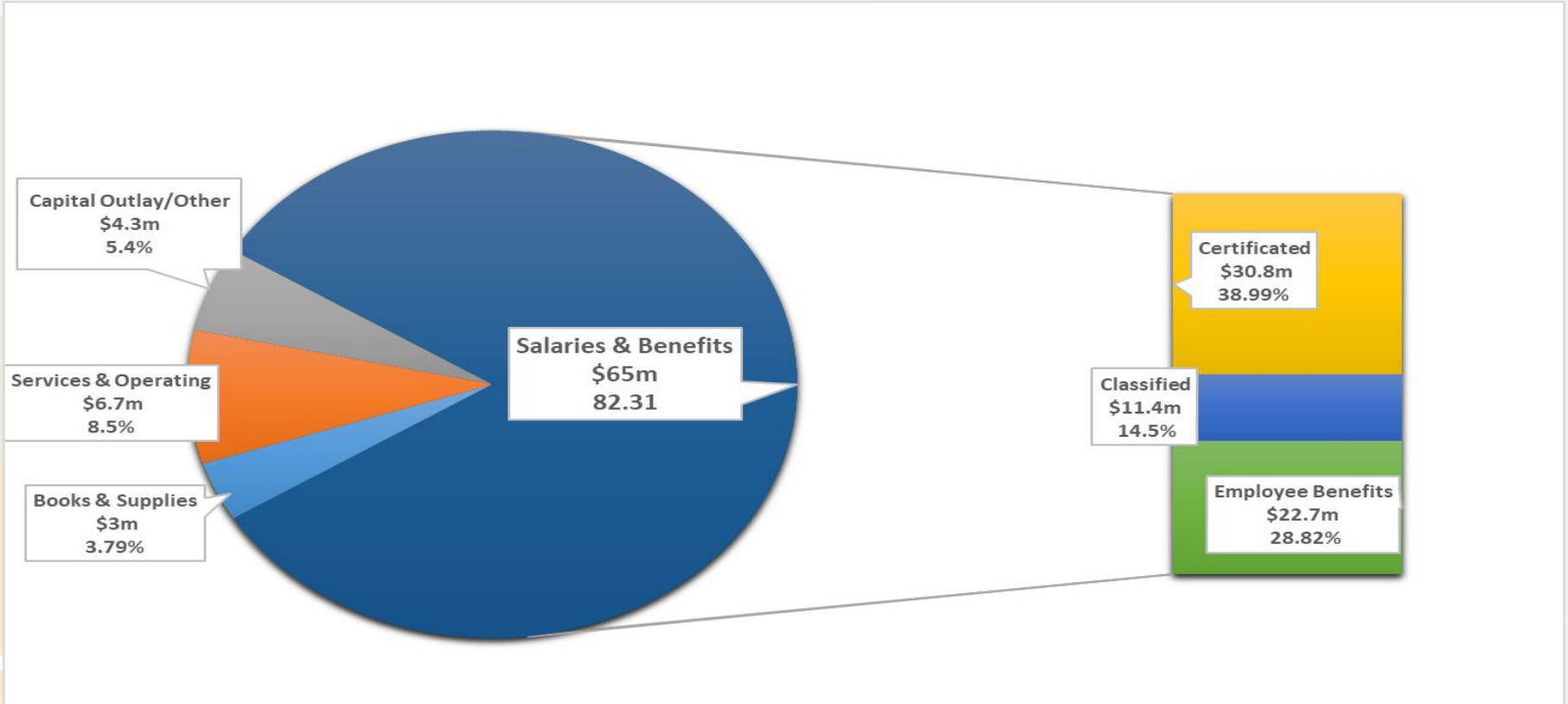
\$70,262,511



■ State ■ Local ■ Federal ■ Local Control Funding Formula ■ Property Taxes

2024-25 General Fund Expenditures

\$78,962,957



Multi-Year General Fund Projections

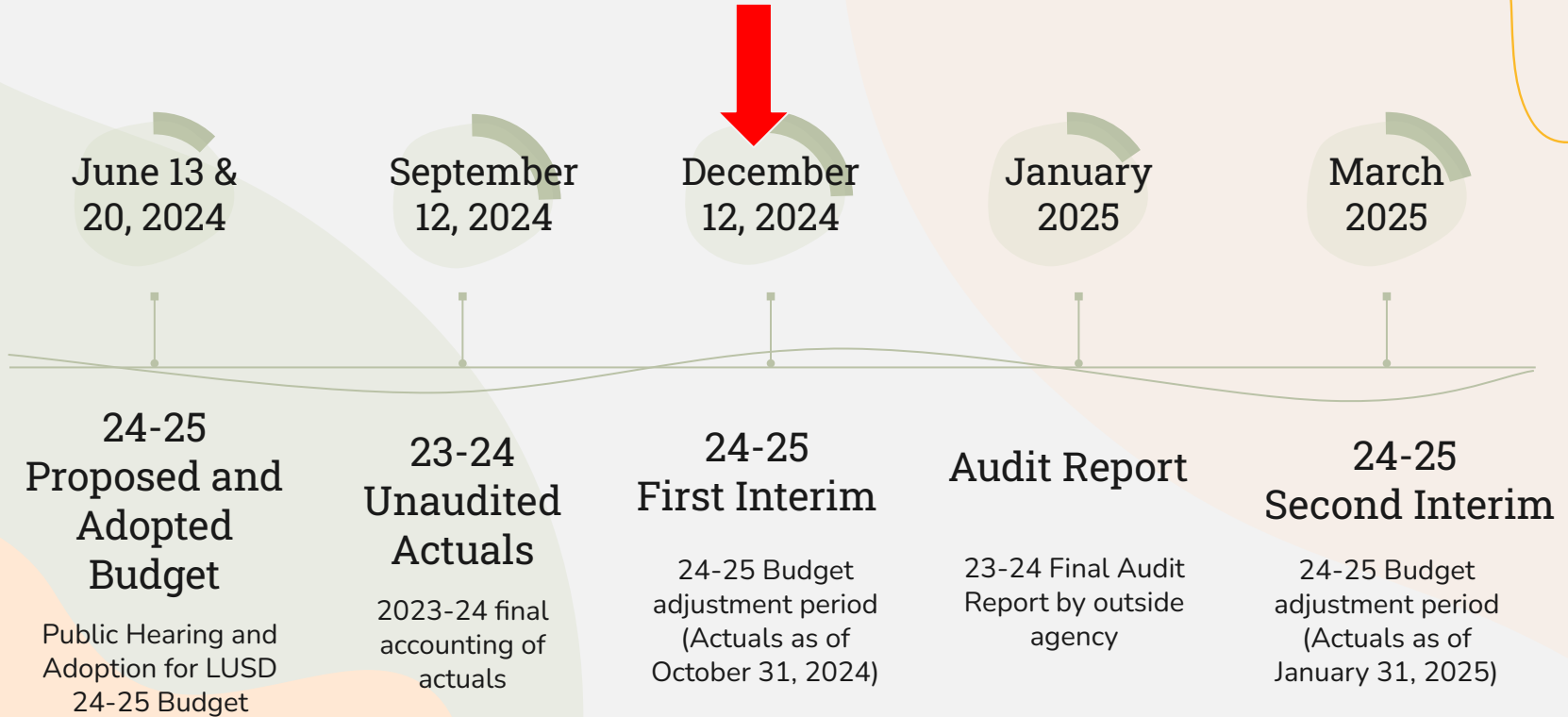
	2023-24	2024-25	2024-25	2025-26
General Fund 01-Combined	Actuals	Adopted	First Interim	Projected
TOTAL REVENUES	\$80,232,049	\$69,028,264	\$70,262,511	\$71,471,990
TOTAL EXPENDITURES	<u>80,359,115</u>	<u>75,613,868</u>	<u>78,962,957</u>	<u>71,554,773</u>
INCREASE (DECREASE) IN FUND BALANCE	(127,066)	(6,585,604)	(8,700,446)	(82,783)
BEGINNING BALANCE-Combined	20,432,524	12,779,120	20,761,971	12,061,525
ENDING BALANCE-Combined	\$20,761,971	\$6,193,515	\$12,061,525	\$11,978,742
*Combined Funds Reserve Percentage <i>*Prior to Nonspendable, Committed, Assigned</i>	25.84%	8.19%	15.27%	16.74%
BEGINNING BALANCE-Unrestricted	8,911,635	5,096,553	6,537,352	2,672,050
ENDING BALANCE-Unrestricted	6,537,352	2,409,986	2,672,050	2,836,900
Unrestricted Reserve Percentage	8.14%	3.19%	3.38%	3.96%



04

Next Steps

LUSD 2024-25 Budget Process from June through October



Looking forward



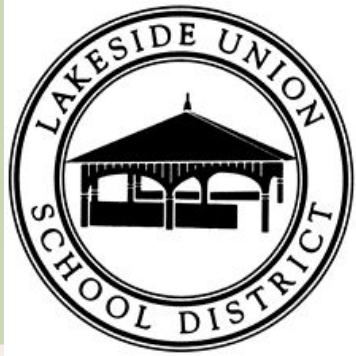
One Time Funding Expiring

Watching budget as one time funding sources are depleted.



Projections - MYP

Multi Year staffing to enrollment projections



Board Member Questions or Comments
