



Lowell Joint School District

Tradition of Excellence Since 1906

“Home of Scholars and Champions”

State Budget Update as of January 19, 2024

Presented to the Board of Trustees
February 5, 2024





State Budget and the Economy

- Inflation is down and is expected to decline further
- Interest Rates Expected to Fall in 2024
- US and California in Slow Growth Economies
- Governor Projects \$37.9 Billion Deficit for 2024-25
- Recessions are No Longer Forecasted in 2024 or 2025





Governor's Budget Proposal

January, 2024

- Governor estimates a \$37.9 Billion shortfall
 - Largely due to 2022 tax collections in 2023
 - \$30B Gap between LAO Report and Governor Proposal due to Optimistic Revenue Estimates by Governor
 - Protects Education with no Proposed Cuts to 2023-24
 - Balances Budget with Reserves, Education Rainy Day Fund, Borrowing, Reductions, Funding Delays, Deferrals, and Tax Revenue Proposals





Governor's Budget Proposal

January, 2024

➤ Cost of Living Adjustment (COLA)

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|-----------------------|---------|---------|---------|---------|---------|
| 23-24 Adopted Budget | 8.22% | 3.94% | 3.29% | 3.19% | |
| 24-25 Budget Proposal | 8.22% | 0.76% | 2.73% | 3.11% | 3.17% |
| Change | - | <3.18%> | <0.56%> | <0.08%> | - |

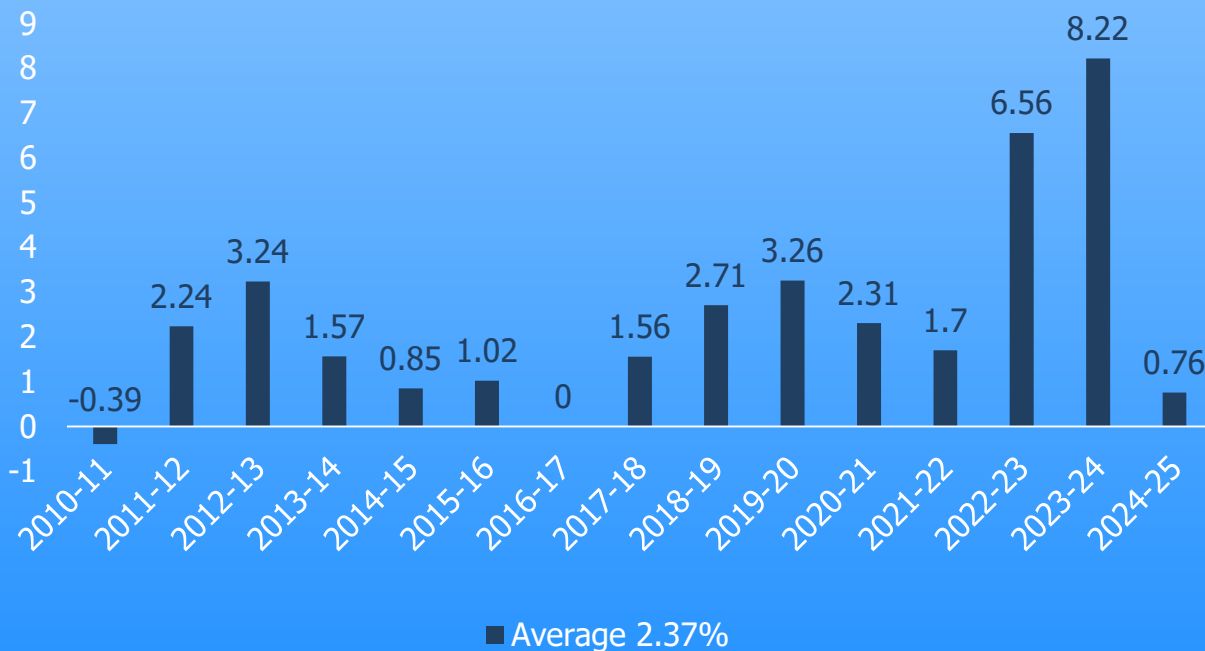




Governor's Budget Proposal

January, 2024

Historical Statutory COLA %





Governor's Budget Proposal

January, 2024

➤ LAO highlights 2 options available to the Legislature:

➤ ~~Option #1~~

- ~~Cuts to the current year to fill the deficit from 2022/23 and reduce Cost Of Living Adjustment (COLA) for the 2023/24, 2024/25, and 2025/26 years~~
- ~~This option would cause District's to enact mid-year budget cuts and revise Multi-Year Projections downward~~

➤ **Option #2**

- **Legislature could withdraw “Rainy Day” reserve funds to fill the gaps in 2022/23 & 2023/24 but would have to replenish it in 2024/25**
- **This option would likely have minimal effect on 2023/24 and significant COLA reductions for 2024/25 and beyond.**





Multi-Year Projections

(Based on Governor's Proposal)

- **Local Control Funding Formula:**
 - COLA
 - 8.22% vs 8.22% at FI in 2023-24
 - 0.76% vs 3.94% at FI in 2024-25
 - 2.73% vs 3.29% at FI in 2025-26
 - Slight changes to CalPERS Rates and Consumer Price Index (CPI)
 - Enrollment, ADA, and other MYP assumptions remain the same as First Interim





Multi-year General Fund Summary

| CURRENT ASSUMPTIONS | 2023-24 First Interim | 2024-25 Projected | 2025-26 Projected |
|-------------------------------|--------------------------|----------------------|----------------------|
| Total Revenue & Transfers In | \$44,812,727 | \$43,445,039 | \$44,817,538 |
| Total Expenditures & Outgo | \$45,254,378 | \$43,814,537 | \$43,618,151 |
| Change in Fund Balance | <\$441,651> | <\$369,498> | \$1,199,387 |
| Beginning Balance | \$19,983,906 | \$19,542,255 | \$19,172,757 |
| Ending Balance | \$19,542,255 | \$19,172,757 | \$20,372,144 |

| REVISED ASSUMPTIONS | 2023-24 First Interim | 2024-25 Projected | 2025-26 Projected |
|----------------------------------|--------------------------|----------------------------|----------------------------|
| Total Revenue & Transfers In | \$44,812,727 | \$42,268,679 | \$43,118,101 |
| Total Expenditures & Outgo | \$45,254,378 | \$43,820,798 | \$43,635,297 |
| Change in Fund Balance | <\$441,651> | <\$1,552,119> | <\$517,196> |
| Change from First Interim | \$0 | <\$1,182,621> | <\$1,716,583> |
| Beginning Balance | \$19,983,906 | \$19,542,255 | \$17,990,136 |
| Ending Balance | \$19,542,255 | \$17,990,136 | \$17,472,940 |
| Change from First Interim | \$0 | <\$1,552,119> | <\$2,899,204> |





Future Considerations....

- Governor's State budget projections for 2024/25 rely on optimistic State revenues
 - January, 2024, is currently \$3B below those estimates
- Governor and Legislature
 - Governor has expressed his desire to “protect” education
 - Negotiations will take place between now and the May revision
 - School districts will have to make decisions prior to May revision
 - “Devil will be in the details”





QUESTIONS?

