

Jefferson Union High School District

2023-2024 PROPOSED BUDGET



EXECUTIVE SUMMARY

May Revision Overview

The May Revision is the last set of data points received before the district must adopt a local budget. Once the 2023-2024 State Budget has been adopted, at the end of June, more information will be available on what has changed and how to adapt locally. Until then, this is the best available budgeting information.

The Governor's Revised Budget shows that the state revenue is coming in lower than previously anticipated and inflation has remained high. The governor's proposal increases the Local Control Funding Formula (LCFF) base by the statutory cost-of-living adjustment (COLA) of 8.22%. The remaining Proposition 98 funds (which are required to be used for K-14 education) are allocated to a variety of initiatives with continued investments in early childhood education, universal meals, the educator pipeline, and a small contribution to the State's Rainy Day Fund. Additionally, there is a new Equity Multiplier proposed that would provide additional LCFF funds to school districts that have significant numbers of students from low income families.

Other Revenue Considerations

LCFF Funding – For 23-24, LCFF growth is projected to be 8.22%. The governor is also proposing an additional multiplier for high needs school districts. JUHSD will continue to be funded outside of the LCFF formula and remain Basic Aid/Community Funded. The gap between our tax revenue and our LCFF formula is projected to be about 21%.

Federal Funding – The 23-24 budget shows a decrease from the prior year due to the end of COVID relief funding.

Other State Funding – State funding for special education will receive an 8.22% COLA as will CTE programs. However, these programs are funded per pupil so we will likely see net decreases due to our declining enrollment. There are additional decreases due to the end of COVID relief funding and due to the governor's proposal to take back funds from two state programs. The governor's proposal includes a 50% reduction to the Art, Music, and Instructional Materials Discretionary Block Grant and a 32% decrease to the Learning Recovery Emergency Block Grant.

Local Funds – These funds are primarily generated by our Parcel Taxes, by grants to Daly City Youth Health Center (DCYHC), and through our facility rentals. The anticipated decrease in this area reflects the loss of about \$500K in rental income from Serramonte del Rey and reflects moving DCYHC operations to Fund 63 beginning in 23-24. This move of DCYHC operations was recommended by our auditors to more clearly delineate DCYHC activities from general education activities.

ASSUMPTIONS FOR THE 23-24 PROPOSED BUDGET AND MULTI YEAR PROJECTION

Basic Assumptions

Assumptions are based on the School Services of California (SSC) Dartboard and San Mateo County Assessor's Office information:

Assumptions	23-24	24-25	25-26
Average Daily Attendance (ADA)	3,560	3,560	3,540
Property Tax Increase	4.7%	3.8%	3.8%
COLA	8.22%	3.94%	3.29%
Consumer Price Index (CPI)	3.54%	3.02%	2.64%
STRS	19.10%	19.10%	19.10%
PERS	26.68%	27.70%	28.30%
Unemployment Insurance	0.05%	0.05%	0.05%

The retirement system for certificated employees, STRS, saw a large increase in 22-23, but is projected to remain at 19.10% for the foreseeable future. We continue to see increases to the costs for the classified retirement program, PERS. There is a projected 1.31% increase from 22-23 to 23-24 which will result in about \$175,000 in additional PERS expenses for JUHSD in 23-24. Also of note is that unemployment insurance is projected to return to its pre-pandemic level of 0.05% after two years elevated at 0.50%.

Salary Assumptions

JUHSD has settled labor negotiations for 23-24 with a 3% across-the-board salary increase. This is reflected in the proposed budget, as is continued district contributions to health and welfare benefits. Additionally, the budget includes increases to standard employee compensation costs (salary increase from step and column).

Implementation of Reserve Policy BP 3100.1

As a Community Funded school district, JUHSD relies on property taxes for our largest portion of revenue. This funding source can be more unpredictable than State Funding, therefore maintaining reserves beyond the minimum required by law is recommended. The recently approved board policy BP 3100.1 outlines how JUHSD intends to maintain fiscal stability. The proposed budget implements a Strategic Reserve as outlined in the policy and anticipates making contributions to the Special Reserve Fund 17 each year to reach the goal of 2% reserve in Fund 17 by 2028.

Assumptions	23-24	24-25	25-26
Strategic Reserve Set-Aside	5.0%	3.0%	1.0%
Contributions to Fund 17	\$300K	\$300K	\$300K

Governmental Accounting Standards Board (GASB) 87 New Guidelines

In 22-23, new accounting standards, known as GASB 87, were implemented that require governmental entities to recognize lease liabilities and assets. This is reflected in an Audit Adjustment in 22-23 of over \$11.5M. The adjustment makes it appear that JUHSD has more money than is actually available. The \$11.5M represents inaccessible, fixed assets, not actual cash.

Multiyear Projections

An important part of the budget adoption process is the subsequent two-year projection of the general fund. In addition to the above mentioned changes, the multiyear projection assumes the following:

- Significant health benefits premium increase of over 10% for 2024
- 6.16% increase to Workers' Compensation
- Net increase of 3 teachers to cover special education preps & increased team teaching
- Increased stipends for Wellness Interns
- One-time expense of about \$200K in 23-24 for a classification study
- Debt repayment \$287,524 per year, ongoing

The multiyear projection shows deficit spending in all four years, 22-23 estimated actuals, 23-24 budget year, and the two subsequent years. The deficit is less in 22-23 due to the one-time relief funds. This deficit spending shows that JUHSD is using reserve funds to cover costs.

General Fund Summary	2022-23	2023-24	2024-25	2025-26
Beginning Fund Balance	32,167,114	31,175,777	25,793,317	21,460,747
REVENUES				
LCFF/Taxes	59,219,645	61,532,280	63,315,718	65,281,256
Federal	3,449,863	1,744,897	1,806,665	1,855,980
Other State	9,477,268	7,679,548	7,689,765	7,681,361
Local	11,450,479	9,392,797	9,703,556	9,961,470
Revenue Total	83,597,255	80,349,522	82,515,704	84,780,067
EXPENDITURES				
Salaries	40,009,773	41,904,521	42,328,089	42,758,011
Benefits/Payroll Costs	18,970,755	19,978,066	20,526,772	20,992,598
Goods & Services	22,159,250	20,531,512	20,600,235	20,994,567
Other	3,348,814	2,730,359	2,805,654	2,859,059
Expenditure Total	84,488,592	85,144,458	86,260,750	87,604,235
Transfer Out - COP Payment	100,000	287,524	287,524	287,524
To Fund 17		300,000	300,000	300,000
TOTAL EXCESS/DEFICIT	(991,337)	(5,382,460)	(4,332,570)	(3,411,692)
Ending Fund Balance (EFB)	31,175,777	25,793,317	21,460,747	18,049,055
Restricted Balance	3,265,505	1,749,646	1,680,343	1,374,343
GASB 87	11,592,235	11,592,235	11,592,235	11,592,235
Remaining EFB	16,318,037	12,451,436	8,188,169	5,082,477
RESERVES				
Statutory Reserve	2,537,658	2,571,959	2,605,448	2,645,753
Strategic Reserve		4,286,598	2,605,448	881,918
Unallocated Funds	13,780,379	5,592,879	2,977,273	1,554,806
Fund 01 Reserve Percentage	19.29%	14.52%	9.43%	5.76%
Special Reserve Fund 17	823,794	1,128,794	1,433,794	1,738,794
Total Reserves all Funds	17,141,831	13,580,230	9,621,963	6,821,271
Total Reserve Percentage	20.26%	15.84%	11.08%	7.73%

Ending Fund Balance

The General Fund ending fund balance in the Proposed Budget for 23-24 is comprised of the following:

1. Restricted and non-spendable items totaling \$13,341,881: Restricted Balance \$1,745,646, Revolving Cash \$4,000, GASB 87 \$11,592,235
2. Statutory reserve for economic uncertainty \$2,571,959 – 3.0%
3. Strategic reserve per BP 3100.1 \$4,286,598 – 5.0%
4. Unallocated amount \$5,592,879 – 6.52%

The budget anticipates a \$300K transfer to Fund 17 – Special Reserve Fund, which will result in an additional reserve of \$1,128,794 – 1.32%, for a total reserve of 15.84% for 23-24.

Other Funds

All other funds (i.e. adult education, nutrition, etc.) have positive ending fund balances and, other than moving DCYHC operations to Fund 63, there are no significant changes over last year. The nutrition program continues to be projected as a break-even program.

Next Steps

The State Budget will be adopted by the end of June. The district will begin revising the budget this summer to reflect the actual state budget and final district salary and health benefit costs. Unaudited Actuals for 22-23 will be presented in September and the 1st Interim Report will be presented in November with more accurate information for 23-24 financials.