



**CALIFORNIA COUNTY
SUPERINTENDENTS**

The Common Message

2023-24 First Interim Report

BASC

Business and Administration
Services Committee

Writers and Contributors

Topic	Contributors	
Background	Committee	
Key Guidance/Adopted Budget	Nicolas Schweizer, Sacramento	Mike Simonson, San Diego
Planning Factors/Multiyear Projections (MYPs)	Shannon Hansen, San Benito	Nicolas Schweizer, Sacramento
Reductions to Block Grants	Misty Key, Ventura	Scott Price, Riverside
Special Education	Misty Key, Ventura	Janet Riley, Merced
Transitional Kindergarten	Josh Schultz, Napa	Steve Torres, Santa Barbara
Local Control and Accountability Plan (LCAP)	Josh Shultz, Napa	Nicolas Schweizer, Sacramento
Summary	Nicolas Schweizer, Sacramento	Mike Simonson, San Diego

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Sources

Association of California School Administrators
Ball/Frost Group, LLC
California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California Public Employees' Retirement System
California State Teachers' Retirement System
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
K-12 High Speed Network
National Forest Counties and Schools Coalition
School Services of California
Small School Districts' Association
Statewide Local Educational Consortium Co-Chairs
WestEd

Background

Since May 2008, county office chief business officials (CBOs) have crafted common messages to offer districts guidance on crafting assumptions for budget and interim reports. The Business and Administration Services Committee's (BASC's) goal is to support this endeavor by providing county office CBOs with a uniform common message, based on assumptions used by the California Department of Finance (DOF).

BASC would like to thank the DOF, State Board of Education (SBE), California Department of Education (CDE) and Fiscal Crisis and Management Assistance Team (FCMAT), and our colleagues listed in the sources section for providing BASC and our local educational agencies (LEAs) with the most up-to-date information at the time of writing.

Purpose: The BASC Common Message is intended as guidance and recommendations to county offices of education (COEs). Each COE will tailor the guidance to the unique circumstances of the LEAs in their county. Even within a county, COE situational guidance may vary considerably based on the educational, fiscal and operational characteristics of a particular district. Districts and other entities seeking to understand the guidance applicable to a particular LEA should refer to the information released by the COE in the county where the LEA is located.

First Interim Report Key Guidance

Governor Gavin Newsom signed an on-time budget in June. Subsequently, the state legislature adopted Senate Bill (SB) 141, which introduces small changes to the budget. The most significant of these changes include:

- Language was added to address emergency closure situations for the Expanded Learning Opportunities Program. In the event of a [Request for Allowance of Attendance Due to Emergency Conditions \(Form J-13 A\)](#) qualifying emergency, each LEA is required to adopt a board resolution that outlines the facts substantiating the need for an emergency closure. Furthermore, they must provide supporting documentation for audit purposes.
- Language was added to clarify that the new early enrollment Transitional Kindergarten (TK) classroom enrollment and the adult-to-student thresholds are specific to individual classrooms, rather than averaged across each school site like the other TK requirements.

In November 2022, California voters passed Proposition 28, which mandates the annual allocation of 1% of the TK-12 portion of Proposition 98 funding for arts and music instruction in schools. However, no further clarification has been issued beyond the language enacted in early July as part of Senate Bill (SB) 115. Given that LEA and school site allocations are not yet known, and certain key provisions of Proposition 28 (including the requirement that 80% of these funds be used to hire staff and the restriction that these funds supplement, not supplant current funding) lack clarity, LEAs should continue to exercise caution in planning for the use of these funds.

Possible Government Shutdown

There is a significant risk that the federal government may face a shut down in mid-November because of Congress’s inability to reach a budget agreement. President Joe Biden recently signed a 45-day continuing resolution that prevented a government shutdown and ensured federal government funding through November 17. If Congress cannot reach an agreement by November 17, they will need to pass another continuing resolution to maintain government funding or they will face a government shutdown.

However, according to the CDE, LEAs are not expected to experience any short-term funding disruptions in the event of a federal government shutdown. This is due to the funding mechanisms in place for various programs:

- The Every Student Succeeds Act (ESSA) Titles III, IV, and V operate on a forward-funding basis. Funds allocated for the state fiscal year 2023-24 were appropriated in the federal fiscal year 2022-23 budget but only became accessible on July 1, 2023.
- Funding for ESSA Title I and Title II programs was also appropriated in the previous year's federal budget. However, these programs rely on a combination of forward funding and advanced appropriations. The forward-funded portion became available on July 1, 2023, while the remaining funds for state fiscal year 2023-24 were advanced appropriations, accessible from October 1, 2023.
- Child Nutrition and Early Education programs, while not forward-funded in the same manner as the programs discussed above, are also expected to remain funded for several months following a government shutdown.

Planning Factors for 2023-24 and Multiyear Projections

Below are the key planning factors that LEAs should incorporate into their 2023-24 First Interim Reports and multiyear projections (MYPs). These factors are based on the most up-to-date information available:

Planning Factor	2023-24	2024-25	2025-26
Cost-of-Living Adjustment (COLA)			
Local Control Funding Formula (LCFF) COLA	8.22%	3.94% ¹	3.29%
Special Education COLA	8.22%	3.94% ¹	3.29%
Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.68%	27.70%	28.30%

State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per Average Daily Attendance (ADA)	\$177.00	\$177.00	\$177.00
Proposition 20 per ADA	\$72.00	\$72.00	\$72.00
Minimum Wage	\$16.00 ²	\$16.50 ³	\$16.90 ⁴
Universal TK/ADA LCFF add-on for the 12-to-1 student-to-adult ratio	\$3,044.00	\$3,164.00	\$3,268.00
Mandate Block Grant			
School Districts			
Grades K-8 per ADA	\$37.63 ⁵	\$39.30	\$40.59
Grades 9-12 per ADA	\$72.49 ⁵	\$75.71	\$78.20
Charter Schools			
Grades K-8 per ADA	\$19.76 ⁵	\$20.63	\$21.31
Grades 9-12 per ADA	\$54.91 ⁵	\$57.34	\$59.23

1. Note that five out of the eight data points used to calculate the statutory COLA indicate that it will be significantly lower than currently projected.
2. Effective January 1, 2024.
3. Effective January 1, 2025.
4. Effective January 1, 2026.
5. These rates reflect a reduction of 0.47% due to the appropriation for the program being insufficient to fully fund it.

Reductions to Block Grants

Arts, Music and Instructional Materials Discretionary Block Grant

The 2022-23 State Budget established the Arts, Music and Instructional Materials Discretionary Block Grant, initially totaling \$3.6 billion in one-time funds. This grant was designed to provide

LEAs with funding for specified uses, including standards-aligned professional development, instructional materials, improved school culture, and the development of diverse and culturally relevant book collections.

However, the 2023-24 State Budget reduced this amount by \$200 million, or approximately 6% of the original grant amount. The first 50% of the original grant amount was distributed to LEAs in November 2022, while the remaining funds, reduced to account for the \$200 million budget cut, were distributed to LEAs in October 2023.

As a reminder, the grant requires LEA governing boards to approve expenditure plans consistent with the allowable uses defined by the grant.

Learning Recovery Emergency Block Grant

The 2022-23 State Budget also established the Learning Recovery Emergency Block Grant, initially totaling \$7.9 billion in one-time funds. It is designed to support academic learning recovery and the social and emotional well-being of staff and students. This funding is designated to be spent through the 2027-28 fiscal year.

However, the 2023-24 State Budget reduced the funding for the Learning Recovery Emergency Block Grant by \$1.1 billion, which amounts to approximately a 14% reduction in the 2022-23 fiscal year. That said, the legislature intends to restore these funds, beginning in the 2025-26 fiscal year, with an annual increase of \$378.7 million through the 2027-28 fiscal year.

In the 2022-23 fiscal year, LEAs received the full apportionment for the Learning Recovery Emergency Block Grant. To recover the reduction in funds, the CDE will reduce most LEAs' principal apportionment in the 2023-24 fiscal year. However, in rare cases where reducing the principal apportionment is not a viable option, the CDE may bill an LEA for the amount to be returned.

These reductions will be applied to the October 2023 Principal Apportionment payments that are currently in process. A small number of LEAs may experience these reductions in their November and/or December Principal Apportionments. Consequently, LEAs will receive less revenue than initially projected for those months and will need to adjust their cash flow projections accordingly.

Please note that the actual reduction in revenue should be attributed to the Learning Recovery Emergency Block Grant under Standardized Account Code Structure (SACS) Resource Code 7435.

Transitional Kindergarten

As a reminder, the 2023-24 State Budget made significant changes to TK staffing requirements:

- Beginning in 2023-24, any LEA that chooses to enroll children in TK who meet the definition of "early enrollment children" (those whose fourth birthday falls between June 3 and September 1 preceding the school year in which they are enrolled in TK)

must adhere to a 10-to-1 student-to-adult ratio and maintain a maximum class size of 20 for classes that include an early enrollment child.

- Beginning in 2025-26, all TK classrooms must be staffed at a 10-to-1 student-to-adult ratio. While the legislature intends to provide funding to support this staffing ratio, the 10-to-1 requirement is no longer contingent upon the receipt of additional funding. Districts will need to incorporate this lower staffing ratio into their First Interim MYPs.

Special Education

The 2023-24 State Budget includes an 8.22% COLA for the Special Education base grant, increasing it to approximately \$887.40 per funded ADA. In preparing for the 2023-24 First Interim Report, consider the following additional nuances:

- Special Education Local Plan Areas (SELPA) are required to allocate base funding of at least the same amount provided to their member LEAs in the 2022-23 fiscal year for 2023-24. This minimum allocation should be increased by the 8.22% COLA and adjusted to account for any changes in the funded ADA.
- LEAs may allocate funds back to their SELPA for purposes of providing regionalized or other programmatic services.
- While the AB 602 funding formula for Special Education is based on each individual LEA's ADA, it is important to analyze and update the projected AB 602 revenue using the current three-year average of ADA. Given the severe decline in enrollment across the state, careful attention is required for each ADA-driven revenue source.
- The moratorium on the creation of new single-district SELPAs has been extended by an additional two years to June 30, 2026.
- The CDE must post each SELPA's annual local plan on its website.

Equity Multiplier

The 2023-24 State Budget created a new program called the Local Control Funding Formula Equity Multiplier. Under this program, funding will be allocated to LEAs for schools meeting specific criteria: a prior year nonstability rate exceeding 25% and a prior year socioeconomically disadvantaged pupil (as defined [here](#)) rate exceeding 70%. The CDE will certify these allocations at the First Principal Apportionment.

Local Educational Agencies should take into consideration that schools' eligibility for Equity Multiplier funds may change from year to year based on fluctuations in their nonstability rate and/or their socioeconomically disadvantaged pupil rate. Data on stability rates can be found on [DataQuest](#) or [downloaded](#) from the CDE. The data for the 2023-24 fiscal year is expected to be published in early 2024.

Equity Multiplier funding is restricted (for SACS coding, please use Resource Code 7399 and Revenue Object Code 8590). Starting with the 2024-25 LCAP adoption, it will be subject to reporting requirements in the Local Control and Accountability Plan (LCAP). The CDE provides further details about the Equity Multiplier, which are available [here](#).

Local Control and Accountability Plan

The 2023-24 State Budget mandates several revisions to the LCAP template and its instructions. Drafts of the revisions were reviewed by the SBE during their September 2023 meeting, and the SBE is expected to formally adopt the revised template at their November 2023 meeting.

For more information on the proposed changes, please refer to the SBE's [September 2023 Agenda Item #02](#) and the [draft LCAP template](#), both of which were presented during the meeting. The final changes approved by the SBE in November will be detailed in the Second Interim Common Message.

Summary

The purpose of this edition of the Common Message is to provide LEAs with data and guidance for fiscal planning and the development of their First Interim Report and MYPs. The information provided for fiscal year 2023-24 and beyond includes the latest known proposals and projections to facilitate effective multiyear planning.

Local Educational Agencies should be aware that the state faces potential revenue shortfalls and budget deficits that could result in further cuts to education spending. The state's total revenue for the last fiscal year will not be known until all outstanding 2022 taxes have been filed, because nearly all residents and some corporations were granted tax filing extensions until November.

Moreover, the Legislative Analyst's Office recently indicated that the state may be experiencing a mild recession that began in the fourth quarter of 2022. While state revenues appear to be stabilizing, the office projects that the state will face a nearly \$10 billion deficit in 2024-25. To compound matters, the 2024-25 COLA is showing a downward trend towards 2%. This projection is based on five out of the eight data points used to calculate the statutory COLA.

LEAs face near and long-term challenges, including risks to the state revenue forecast, reduced ADA because of COVID-19-related student absences, cost pressures (e.g., pension rate increases), expiring one-time COVID-19 relief funds, and declining enrollment. Given that each LEA has unique funding and program needs, it is crucial that LEAs continuously assess their individual situations, work closely with their COE, and develop comprehensive plans that maintain their fiscal solvency and preserve the integrity of their educational programs.