



Alum Rock Union Elementary School District

2020-21

Budget Committee Meeting

February 8, 2021

Presented by: Kolvira Chheng, Asst. Supt., Business Services

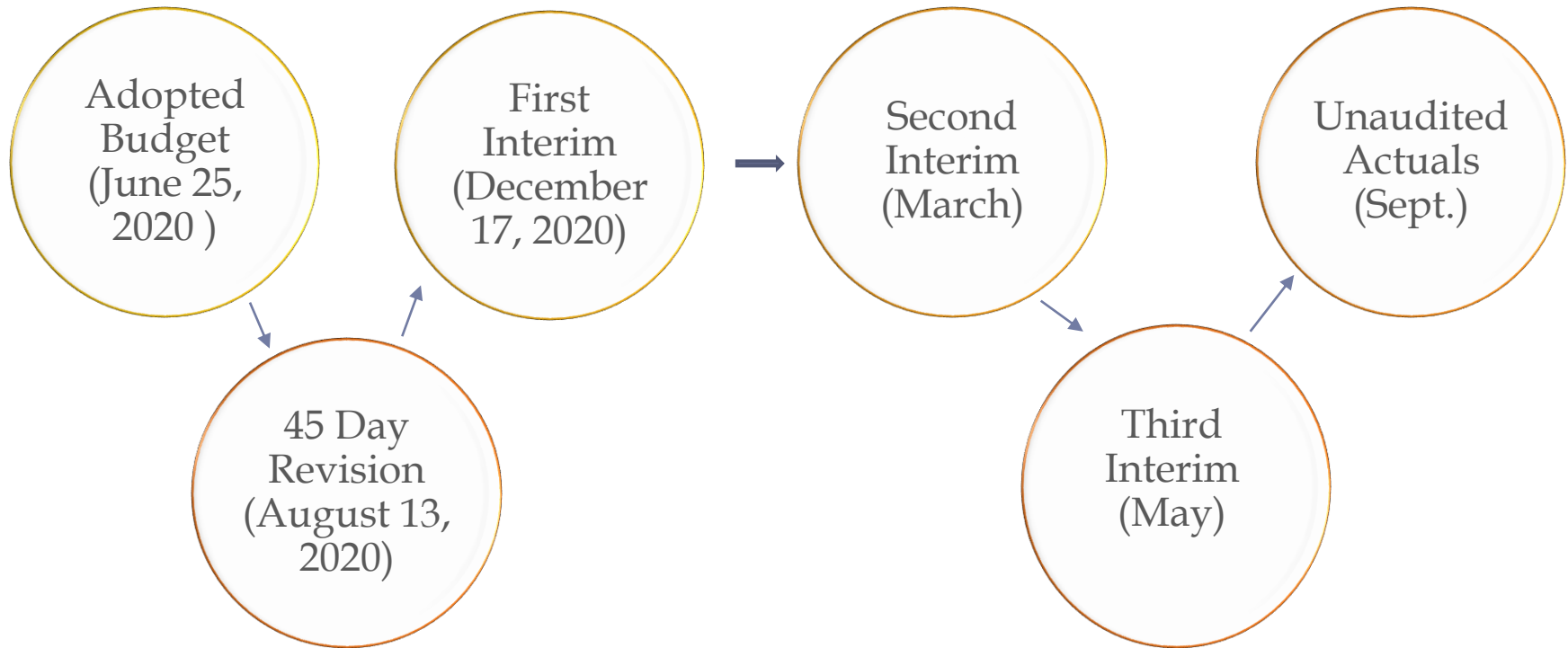


Topics

- **First Interim Report**
 - **Budget Cycle**
 - **Purpose/Reason for First Interim Reporting**
 - **Key Assumptions**
 - **Multi-Year Projections**
- **Highlights of Governor's Budget Proposal for the 2021-22 K-12 Education**



Budget Cycle





Purpose/Reason for 1st Interim

- School Boards are required to certify projected year end and subsequent years' financial condition twice a year:
 - Using “Interim Reports” (Ed Code 35015 and 35035)
 - Typically during December and March of each year
- The First Interim includes a snapshot of the District's financial positions as of October 31, 2020
- This First Interim includes the multiple year projections for current and two subsequent years

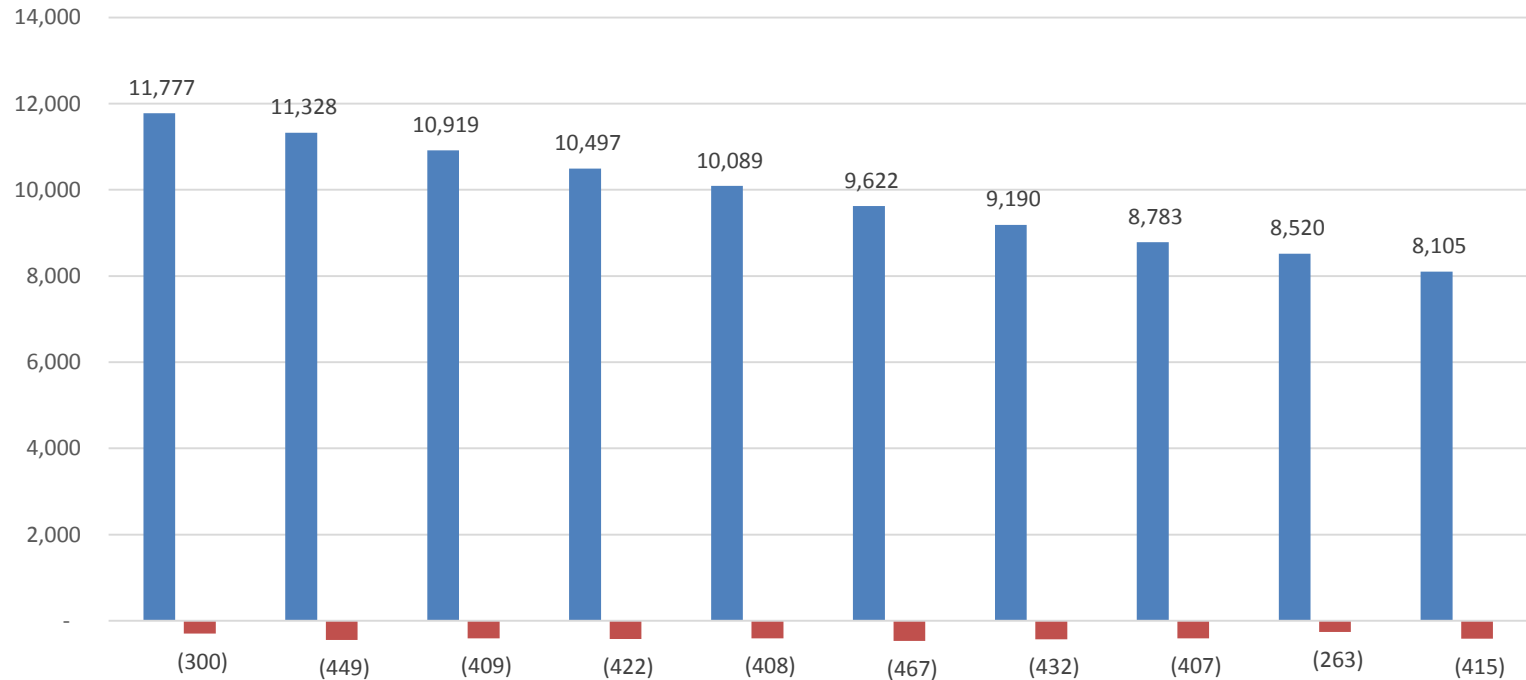


Purpose/Reason for 1st Interim

- Assumptions changes constantly. Administration utilizes the most current information available and continually monitors significant assumption changes, including but not limited to:
 - Enrollment and ADA (Average Daily Attendance)
 - Funding per ADA and COLA
 - Staffing changes
 - State Budget
 - Federal, State and Local funding amounts (LCFF, Lottery, Parcel Tax, Property Tax, Title I)
 - Labor negotiations
 - Cash flow
 - New laws impacting financials



Key Assumptions - Enrollment



	2013-14 CBEDS	2014-15 CBEDS	2015-16 CBEDS	2016-17 CBEDS	2017-18 CBEDS	2018-19 CBEDS	2019-20 CBEDS	2020-21 SchoolWorks	2021-22 SchoolWorks	2022-23 Schoolworks
■ Enrollment	11,777	11,328	10,919	10,497	10,089	9,622	9,190	8,783	8,520	8,105
■ Loss from PY	(300)	(449)	(409)	(422)	(408)	(467)	(432)	(407)	(263)	(415)



Key Assumptions – LCFF

➤ District LCFF

- FY 2020-21 based on 2019-20 P-2 ADA, No COLA
 - State will Not be collecting ADA for 2020-21, attendance taking still required
- FY 2021-22 based on greater of current year or 2019-20 P-2 ADA , No COLA
- FY 2022-23 based on greater of current year or prior year ADA, No COLA

➤ Aptitud LCFF

- FY 2020-21 based on 2019-20 P-2 ADA, No COLA
 - State will Not be collecting ADA for 2020-21, attendance taking still required
- FY 2021-22 based on greater of current year or 2019-20 P-2 ADA, No COLA
- FY 2022-23 based on current year ADA, No COLA



Key Assumptions – LCFF Revenue

	LCFF				
	2020-21	2021-22	Change from PY	2022-23	Change from PY
LCFF Entitlement-ARUSD	95,156,460	94,541,063	(615,397)	87,797,759	(6,743,304)
LCFF Entitlement-Aptitud	<u>4,335,439</u>	<u>4,502,119</u>	<u>166,680</u>	<u>4,430,576</u>	<u>(71,543)</u>
Total LCFF Entitlement	<u><u>99,491,899</u></u>	<u><u>99,043,182</u></u>	<u><u>(448,717)</u></u>	<u><u>92,228,335</u></u>	<u><u>(6,814,847)</u></u>



Key Assumptions – Other Revenues

➤ Other Revenues

- Remove one-time funds in out years
- Approximately \$4.5M in parcel taxes included in fiscal year 2022-23, but expires after fiscal year 2021-22



Key Assumptions – General Fund Expenditures

- Increase Step and Column for all three years
- STRS and PERS rates for all three years based on Enacted Budget
- Increase contribution for Special Education Program in out-years
- Maintain 3% contribution to Routine Restricted Maintenance Account (RRMA) for all three years
- For Fiscal Year 2021-22
 - Expenditures from Unrestricted G/F that was paid with One Time Federal Funds will be added back to Unrestricted G/F
 - Reduction of 20 certificated FTEs at \$85K average salary to align with declining enrollment
- For Fiscal Year 2022-23
 - Reduction of 15 certificated FTEs at \$85K average salary for to align with declining enrollment
 - Include approx. \$7.8M of unspecified reduction to be determined by Second Interim, was \$9.9 M at 45 Day Revision
 - Certificate of Participation payment of approx. \$2.3M NOT included in General Fund, will need to issue Measure I bonds for repayment funding source



Multi-Year Projection – Unrestricted/Restricted General Fund

	UNRESTRICTED/RESTRICTED G/F		
	2020-21	2021-22	2022-23
	First Interim	Projected	Projected
BEGINNING BALANCE	14,709,837	17,036,097	9,856,319
LCFF	99,491,899	99,043,182	92,228,335
Fed	21,191,354	6,003,876	5,885,103
State	13,127,068	11,966,537	11,779,922
Local	7,909,424	6,877,659	6,960,684
TOTAL REVENUES	141,719,745	123,891,254	116,854,044
1xxx	55,971,556	54,756,369	53,776,090
2xxx	20,091,006	20,251,173	20,629,897
3xxx	35,911,830	36,263,276	37,872,448
4xxx	8,599,418	3,126,341	2,909,786
5xxx	18,263,634	16,117,832	15,045,749
6xxx	136,834	136,834	136,834
7xxx	419,207	419,207	419,207
Other Adjustments	-	-	(7,789,659)
TOTAL EXPENDITURES	139,393,485	131,071,031	123,000,352
TOTAL CONTRIBUTIONS/TRANSFERS	-	-	-
Surplus/(Deficit)	2,326,260	(7,179,777)	(6,146,308)
ENDING FUND BALANCE	<u>17,036,097</u>	<u>9,856,319</u>	<u>3,710,012</u>



Thank you and Questions





Highlights of the Governor's Budget Proposal for 2021-22, slides from hereon are provided by School Services of CA, Inc.

10 COLA—What a Difference a Year Makes

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- The pandemic did not have the draconian financial impacts projected in June 2020, but local educational agencies (LEAs) still have not been made whole
 - The zero cost-of-living adjustment (COLA) in 2020–21 has likely fallen into a black hole as a one-time loss for the Local Control Funding Formula (LCFF), and an ongoing loss for other categorical programs

Comparison of Statutory and Funded COLA 2020–21 and 2021–22			
	2020–21	2021–22	Applied to
Statutory COLA	2.31%	1.50%	• 3.84% applied to LCFF
Funded COLA	0.00	3.84%	• 1.50% applied to special education and other categorical programs (e.g., Mandate Block Grant)



Highlights of the Governor's Budget Proposal for 2021-22

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SSC Financial Projection Dartboard

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LCFF PLANNING FACTORS

Factor	2020-21	2021-22	2022-23	2023-24	2024-25
DOF Estimated Statutory COLA	2.31%	1.50%	2.98%	3.05%	N/A
DOF Estimated Funded COLA	0.00%	3.84%*	2.98%	3.05%	N/A
SSC Estimated Statutory COLA	0.00%	3.84%*	1.28%	1.61%	1.90%

*Calculated by compounding the unfunded COLA of 2.31% from 2020-21 and the estimated statutory COLA of 1.50% in 2021-22

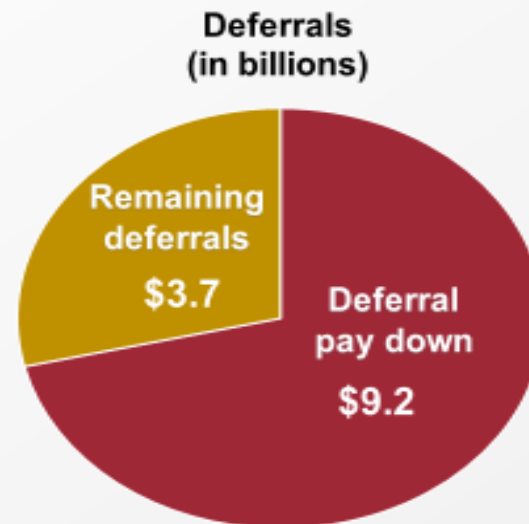
- **SSC Estimated Statutory COLA was calculated by SSC's independent economist**
- **In most years, the SSC estimates and the Department of Finance (DOF) estimates are very close, so we only include the DOF calculation on the dartboard**
- **Due to the large difference in the estimates, we have included our estimate for your consideration**



Highlights of the Governor's Budget Proposal for 2021-22



- The 2020–21 Enacted Budget included almost \$13 billion in K–12 LCFF deferrals
- The Governor's Budget proposes paying down a portion of the deferrals—effectively eliminating the on-going deferrals scheduled for February through May 2022
 - Note that this pay down does not impact the deferrals currently scheduled for February through June 2021!
 - The repayment schedule for these deferrals remains the same





Highlights of the Governor's Budget Proposal for 2021-22

14 2021-22 LCFF Funding Factors

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- The Governor's Budget proposes a 3.84% compounded COLA for 2021-22, which is applied to the LCFF base grants for each grade span
- Two grade span adjustments (GSAs) are applied as percentage increases to the base grants
 - Grades K-3 receive a 10.4% increase for smaller average class sizes
 - Grades 9-12 receive a 2.6% increase in recognition of the costs of career technical education coursework

Grade Span	2020-21 Base Grant per ADA	3.84% Compounded COLA	2021-22 Base Grant per ADA	GSA	2021-22 Adjusted Base Grant per ADA
K-3	\$7,702	\$296	\$7,998	\$832	\$8,830
4-6	\$7,818	\$300	\$8,118	-	\$8,118
7-8	\$8,050	\$309	\$8,359	-	\$8,359
9-12	\$9,329	\$358	\$9,687	\$252	\$9,939



Highlights of the Governor's Budget Proposal for 2021-22



- Supplemental and concentration (S/C) grants are calculated based on the percentage of an LEA enrolled students who are English learners, free and reduced-price meal program eligible, or foster youth—the unduplicated pupil percentage (UPP)

Grade Span	2021-22 Adjusted Base Grant per ADA	20% Supplemental Grant per ADA—Total UPP	50% Concentration Grant per ADA—UPP Above 55%
K-3	\$8,830	\$1,766	\$4,415
4-6	\$8,118	\$1,624	\$4,059
7-8	\$8,359	\$1,672	\$4,180
9-12	\$9,939	\$1,988	\$4,970



Highlights of the Governor's Budget Proposal for 2021-22



- The Governor's Budget includes one-time funds to incentivize expanded transitional kindergarten (TK) and full-day kindergarten programs



- \$250 million to cover upfront costs of voluntarily expanding TK programs
- \$50 million to train TK and kindergarten teachers in
 - Inclusive instruction
 - English learner support
 - Social-emotional learning
 - Trauma-informed and restorative practices



- \$200 million (non-Proposition 98)
 - Construct and retrofit existing facilities
 - Support expanded TK
 - Support full-day kindergarten programs



Highlights of the Governor's Budget Proposal for 2021-22



- Governor Newsom continues to prioritize students with disabilities, often citing his own experience with dyslexia
- The base special education funding formula, which provides \$625 per ADA for most Special Education Local Plan Areas, will receive the estimated statutory COLA of 1.5%
 - Bringing the new base funding rate to \$634.38
 - Unfortunately, the Newsom Administration is not proposing to make up for the 0% COLA in the current year
 - At this time, no further structural changes are proposed to the Assembly Bill 602 funding formula



Highlights of the Governor's Budget Proposal for 2021-22



19 Special Education—Early Intervention Grant

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- Additionally, the Governor proposes \$300 million in ongoing funds for the Special Education Early Intervention Grant
 - These grants were also provided in the 2019–20 Enacted Budget
 - In that year, funding was sent to LEAs of residence based on the number of preschoolers with disabilities
 - The funding was not restricted to serving these students
 - While not yet in print, the language will be similar, but will focus on evidence-based services that directly support the school readiness of infants, toddlers, and preschoolers with a targeted focus on providing services in inclusive settings, as practicable
 - Based on the latest data available, utilizing the same funding methodology as in 2019–20, SSC estimates that LEAs will receive roughly \$5,900 per resident preschooler with disabilities



Highlights of the Governor's Budget Proposal for 2021-22



**\$112.2 million
for meal
reimbursement**



Adds an additional \$0.75 per meal



Eligible LEAs are those who participated in the National School Lunch Program (NSLP), School Breakfast Program (SBP), Seamless Summer Option, or Summer Food Service Program



Increased reimbursement rate was in place for meals served starting March 13, 2020, through August 2020

*Coronavirus Aid, Relief, and Economic Security



Highlights of the Governor's Budget Proposal for 2021-22



- On December 27, 2020, President Trump signed the \$2.3 trillion Consolidated Appropriations Act, 2021 into law, which includes:
 - The \$900 billion COVID-19 relief package, which earmarks \$82 billion for education, \$7 billion to expand broadband access, \$10 billion for childcare, and continued funding for school meal programs
 - The bill also includes an extension of the CARES Act Coronavirus Relief Fund expenditure deadline from December 30, 2020, to December 31, 2021
 - The \$1.4 trillion omnibus spending plan, which will keep the government funded through September 30, 2021—the end of the federal fiscal year



Highlights of the Governor's Budget Proposal for 2021-22

24 New COVID-19 Federal Stimulus Package

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Funding Source	Total Amount	California's Estimated Share
ESSER ¹ Fund	\$54.3 billion	\$6.8 billion
Higher Education Emergency Relief Fund	\$22.7 billion	\$2.9 billion
GEER ² Fund	\$4.1 billion (\$2.75 billion for private schools)	\$341.4 million (\$187.5 million for private schools)

- At least 90% of the ESSER funding needs to be allocated to LEAs in proportion to their 2020–21 Title I, Part A funding, expiring September 30, 2023
 - The Governor's Budget proposal does not specify how the state will spend the remaining 10%
- Governor Newsom has the discretion to spend GEER dollars on LEAs or institutions of higher education that have been "most significantly impacted by coronavirus"
 - The Governor has not yet detailed how he plans to spend this round of GEER funding

¹Elementary and Secondary School Emergency Relief

²Governor's Emergency Education Relief



Highlights of the Governor's Budget Proposal for 2021-22



25 Funding for Reopening Schools

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- Governor Newsom is calling for swift and early action by lawmakers to appropriate at least \$2 billion in one-time Proposition 98 funds to aid in the safe reopening and operation of in-person instruction for K–12 students

Funding Formula (per ADA)

Base Grants = \$450.00 (February reopening)
= \$337.50 (March reopening)

Additional grants above base grant based
on LEA's relative share of LCFF

Funding based on TOTAL ADA less students enrolled in independent study





Highlights of the Governor's Budget Proposal for 2021-22

28 CalPERS Employer Contribution Rates

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- The Governor does not include any new funding towards the California Public Employers' Retirement System (CalPERS) for LEAs
 - However, previous investments reduce the employer contribution rate for CalPERS from 24.9% to 23.00% in 2021–22
- The employer contribution rates to CalPERS were modified a few times since the 2020–21 Enacted State Budget, as follows:

Year	Prior Projections per Dartboard	Adjusted by CalPERS Investment Returns	Projected Rates per Actuarial Report
2020–21*	20.70%	20.70%	20.70%
2021–22	22.84%	23.01%	23.00%**
2022–23	25.50%	26.24%	26.30%
2023–24	26.20%	27.14%	27.30%
2024–25	26.20%	27.14%	27.80%
2025–26	26.20%	27.14%	27.80%
2026–27	N/A	N/A	27.60%

*Actual for 2020–21 and estimated for future years

**Governor's Budget Summary, pgs. 64–65



Highlights of the Governor's Budget Proposal for 2021-22

29 CalSTRS Employer Contribution Rates

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- Similar to CalPERS, the Governor does not include any new funding towards the California State Teachers' Retirement System (CalSTRS) for LEAs
 - However, previous investments reduce the employer contribution rate for CalSTRS from 18.1% to 15.92%
- Reminder: On-Behalf Payments (expenditures in Resource Code 7690) have been excluded from the calculation for the Routine Restricted Maintenance Account contribution

Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year-over-year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10%	0.82%
July 1, 2020	16.15%	- 0.95%
July 1, 2021*	~ 15.92%	~ - 0.23%

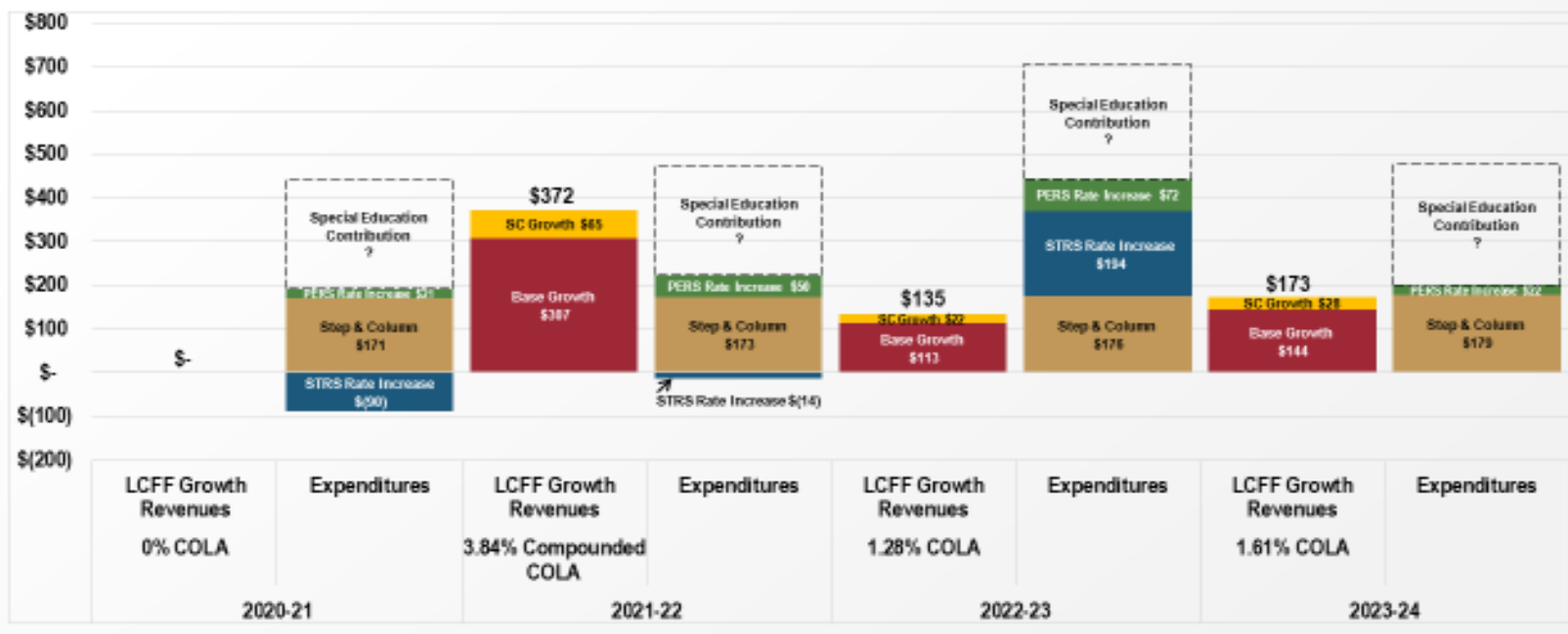
*Governor's Budget Summary, pgs. 64-65



Highlights of the Governor's Budget Proposal for 2021-22

27 Per-ADA Growth in Revenues and Expenditures

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Next Steps/Future Considerations

- Second Interim – March
- May Revise – May
- Public Hearing for 2021-22 Budget and LCAP – June
- Adoption of 2021-22 Budget and LCAP – June



Thank you and Questions

