

May 28, 2021

To: County Board of Education

From: Paul Gothold
County Superintendent of Schools

Re: 2021-2022 Recommended Budget

You have received the earlier Recommended Budget which was approved for publication at the Board meeting on May 12. Attached is the 2021-2022 Recommended Budget as previously approved. There have been no additional changes to the 2021-2022 budget. We ask that the Board conduct a public hearing and adopt the 2021-2022 Recommended Budget.

We are providing the overall County Office Budget which consists of three sections:

1. The 2021-2022 Recommended Budget includes the three customary program groups with summary and detail pages. We have also included a page showing revenues and expenditures by major object categories.
2. The 2021-2022 Special Projects Budget includes summary and detail pages of special projects programs including Special Education Operating and Master budgets.
3. The 2021-2022 Special Funds Budget includes all of the other funds (outside the County School Service Fund) operated by the County Office.

On May 14, 2021, the Governor released the May Revise which is projecting a \$121B budget for K-12 education, which is \$17.7B above January estimates. The statutory cost-of-living adjustment (COLA) is revised upward from 1.50% in January to 1.70% in May and an additional 1% is being proposed to increase the Local Control Funding Formula (LCFF) to 2.70%. A COLA of 1.70% is being proposed for categorical programs outside of LCFF and Special Education. Special Education COLA is increasing from 1.50% to a compounded 4.05% rate. However, due to timing, a 1.50% COLA in 2021-2022 is being used in our budget assumptions and will be adjusted at First Interim. Furthermore, the State is proposing to pay down LCFF apportionment deferrals from 2019-20 and 2020-21 leaving a \$2.6B deferral balance in 2021-22.

Staff is preparing for these proposed changes and as they are finalized at the State level, any changes to the budget will be forwarded to the governing board as part of a regularly scheduled budget revision or the First Interim report.

San Diego County Office of Education
ASSUMPTIONS FOR 2021-2022 RECOMMENDED BUDGET

UNRESTRICTED FUND PROGRAMS:

Revenues

1. **Local Control Funding Formula (LCFF) sources** are projected at the 2012-2013 funding level but adjusted for ADA and the 1.50% COLA. The LCFF consists of the former Revenue Limit funding for both unrestricted and restricted programs, former Categorical Flexibility funding and Economic Impact Aid (EIA) funding and is estimated at \$135,478,552.
 - a) The **General Operating LCFF allocation** is estimated at \$132,091,265.
Of this amount, \$20,730,573 is budgeted as Excess Property Taxes and will be sent to the State.
 - b) The **Career Technical Education (CTE) transition allocation** is estimated at \$500,000 which is the pass-through amount to the small school districts only.
 - c) The **Education Protection Account (EPA)** funding is projected at \$200 per budgeted ADA for a total of \$186,000.
 - d) **Juvenile Court and Community Schools (JCCS) ADA** is projected at 930, which includes 129 ADA of Special Day Class. Another 325 ADA is budgeted for Monarch District Transfer.
2. **Mandated Block Grant** receipts are estimated at \$590,885 for 2021-2022.
3. Projections for lottery revenue are in consideration of state requirements to set aside specified amounts for restricted purposes. The **lottery revenue** is computed at \$150 per ADA for unrestricted programs and \$49 per ADA for restricted sources.
4. The **interest income** for the general operating funding is budgeted at \$2,000,000.
5. **Contract revenues** are as submitted by the various program managers and reviewed by the Strategic Leadership Team. Fees for contracted services reflect the rates approved by the Board at the March 10th meeting.
6. **Income Driven** revenues are budgeted at \$27,929,617 which includes estimated carryover from 2020-2021.
7. Further revenue details are shown on page 6 of the Unrestricted Programs (including the General Operating and Income Driven programs) section in the 2021-2022 Recommended Budget book.

The Unrestricted General Fund is projected to deficit spend in the amount of \$4,061,073.

Expenditures

1. The **salaries** for all unrestricted programs shown for 2021-2022 are reflective of the 2020-2021 salary schedule amounts extracted from the PeopleSoft/Human Capital Management (HCM) system but adjusted for regular step advances and stipends. **Statutory benefits** are based on actual rates for 2021-2022 except for Workers' Compensation and Unemployment Insurance.
2. **Employee health and welfare benefit costs** have been increased by 5.37% for half a year.
3. **Other Post-Employment Benefits** are based on the normal cost plus the annual OPEB expense.
4. A \$25,000 **Lottery budget** continues to be set aside to allow JCCS teachers additional resources to augment classroom instructional activities.
5. Because the County Office has been a recipient of State School Facilities funding for the South County facility, the **routine restricted maintenance account** is included with a contribution to restricted programs in the amount of \$5,146,410. This contribution represents 3% of the 2021-2022 budgeted unrestricted General Fund expenditures as allowed per current legislation. The contribution to the program is an increase of \$17,875 over the estimated 2020-2021 contribution.
6. Local **Income Driven** expenditure accounts in the amount of \$27,929,617 are reflected in the unrestricted General Fund.
7. Expenditures by program or department are shown on pages 7-22 of the Unrestricted Programs section in the 2021-2022 Recommended Budget book.

RESTRICTED FUND PROGRAMS:

Revenues/Expenditures

1. The **Special Education revenues** are estimated according to the provisions of AB 602. Estimates for AB 602 funds are based on prior year receipts with a COLA of 1.50%. HOPE Infant revenues funded under the J-50 funding model are projected with a 1.50% COLA. Friendship Home and JCCS funds are estimated based on South SELPA Local Allocation Plan for AB 602 funding and the LCFF funding is based on the school districts' LCFF rate. SELPA estimated revenues are provided by each SELPA region and for 2021-2022 they are based on current year AB 602 entitlements with a 1.50% COLA. Provisions of AB 602 require that the County Office as the fiscal agent for the SELPA regions include all state AB 602 funds in our budget and allocate each K-12 districts' share as pass-through in accordance with SELPA allocation plans. Effective 2011-2012, the Special Education Pass-Thru Fund (Fund 10) was established for this purpose and for 2021-2022 the budget includes an estimated \$219.57 million of state funds being pass-thru to school districts. Further information is shown on page 42 for Special Education Operating and page 46 for the Special Education Master Plan sections in the 2021-2022 Special Projects section of the Recommended Budget book.
2. The **Special Education expenditures** for salaries and benefits have been adjusted for regular step advances, stipends, and changes in employee benefit rates. Further information is shown on page 44 for Special Education Operating and page 48 for the Special Education Master Plan sections in the 2021-2022 Special Projects section of the Recommended Budget book.
3. The **Special Projects revenues and expenditures** are based on current information and projections. Salary and benefits have been adjusted for regular step advances, stipends, and changes in employee benefit rates. All the restricted programs operate in a **balanced condition** without subsidy from the Unrestricted Budget with the exception of the routine restricted maintenance account. Additional information is shown on pages 26-40 in the 2021-2022 Special Projects section of the Recommended Budget book.
4. The **Special Funds revenues and expenditures** are based on current information and projections. Salary and benefits have been adjusted for regular step advances, stipends, and changes in employee benefit rates. A summary of the expenditures by fund is shown on page 50 in the 2021-2022 Special Funds section of the Recommended Budget book.