

Date: 06/21/2022
To: Ken Geisick – Superintendent
From: Jean Aldrete – Chief Business Official
Subject: Assumptions for 2022-23 Adopted Budget

Introduction

The impact of COVID-19 pandemic is still affecting schools across the country, but schools continue to operate with a return of staff and students back on campus. While not quite a normal year, it is as close to normal as we can achieve in light of the continuing pandemic. The 2021-22 fiscal year is still utilizing some COVID federal and state funds to address COVID on site testing and supplies, enhanced summer programs, independent study programs for those students who choose not to return to campus, and increased absence rates due to COVID-19 quarantine rules.

Inflation is at record highs and gas prices continue to increase all while the State experiences high cash reserves and unprecedented investments in K-12 education next year. Governor Newsom's budget proposal is at \$300.7 billion to address inflation, public safety, homelessness, public education and climate change. The bid three state taxes have been revised upward by \$30.8 billion for a total of \$215.5 billion in 2021-22 and adjusted upward by \$23.8 billion to \$210 billion in 2022-23. **The growth pace of these revenues typically indicate a recession is coming and the Governor has made adjustments to his proposals in light of these signals.**

The May Revision of the Governor's 2021-22 Budget contains the following proposals:

- Proposition 98 guarantee increases to \$110.3 billion (an increase of \$19.6 billion over the amount in the Governor's January Budget Proposal)
- \$9.5 billion in deposits to the Proposition 98 Reserves in 2022-23 (a decrease of \$200 million over the January Proposal due to decreased capital gains revenues)
- COLA (Cost of Living Increase) of 6.56%. (increase of 1.23% from January Proposal) that will be applied to LCFF entitlements for LCFF school districts costing the State \$772 million adjusted for declining ADA. This will not impact SUSD's Basic Aid status. This will however change the set aside of property taxes for Supplemental Services for Unduplicated Students required for 2022-23 and reflected in the Local Control Accountability Plan (LCAP)
- An additional \$2.1 billion in ongoing Proposition 98 General Fund revenues to increase the LCFF base grants
- Proposal to fund school districts based on average daily attendance (ADA) on the greater of current year ADA or their current-year enrollment adjusted for pre-COVID absence rates. The proposal to allow school districts to use the average of the prior three year's ADA will be adjusted to incorporate these proposed changes.
- No changes were made to the January proposal to fully implement Universal TK by 2025-26
- No significant changes were made to Special Education and will include:

- \$500 million in Proposition 98 General Fund dollars above the COLA
- \$500 million in one-time funding for the Inclusive Education Program to support general education and special education students in inclusive preschool classrooms and facilities
- Serving at least 10% students with disabilities and providing children with an individualized education plan categorical eligibility to participate in State Preschool
- New one-time Proposition 98 discretionary funds of \$8 billion on a per-pupil basis to K-12 LEAs (approximately \$1,500 per 2021-22 ADA) to address student learning challenges, protecting staffing levels and supporting the mental health and wellness of students and staff. This will offset any outstanding mandated debt owed to LEAs
- \$596 million for the Universal Meals Program to provide two free meals per day per student
- \$611.8 million ongoing funding to maintain meal reimbursement rates in 2022-23 with the expiration of the Seamless Summer Option provided by the federal government
- \$45 million in one-time funds to support the implementation of the California Health School Meals Pathway Program to support workforce readiness for school food service workers
- \$4.8 billion (increase of \$400 million over January’s proposal) for the Expanded Learning Opportunities Program (ELOP) resulting in approximately \$2,500 per TK-6 enrollment times the LEA’s Unduplicated Pupil Percentage (UPP). Must transport students if program is not offered at their school site. Must offer and provide access to all unduplicated students in grades TK-6
- \$1 billion in one-time ELOP infrastructure funds for arts and music programming needs for ELOP
- \$62.1 million to add 6.56% COLA to select state categorical programs
- \$300 million in one-time Proposition 98 funds for the Educator Effectiveness Block Grant
- \$4.025 billion over three years
- \$1.8 billion in one-time Proposition 98 funds for Deferred Maintenance allocated per equally based on each LEA population of Unduplicated Students Percentage (UPP) and would be restricted and required to be spent on facilities

The May Revision does not provide funding offsets for employer rate increases in STRS and PERS and is silent regarding the requirement to provide independent study in 2022-23.

While it remains to be seen if these programs are implemented through the legislative process over the next month, many of these programs will not directly impact SUSD. The Legislature has until June 15, 2022 to pass a budget for the 2022-23 fiscal year.

Budget Calendar

All LEAs, including community-funded districts, (aka Basic Aid Districts), are required to have the LCAP report and budget adopted and approved by the Board by July 1.

The calendar listed below includes the public inspection and hearing dates for the 2022-23 LCAP and budget:

Public inspection of the 2022-23 Budget	06/17/2022
Public hearing of the 2022-23 Budget	06/21/2022
Governing Board approval of the 2022-23 Budget	06/23/2022
Governing Board approval of 2021-22 Unaudited Actuals	09/15/2022
Final Audit for the year ending June 30, 2022	12/08/2022
2022-23 First Interim Report data cut off	10/31/2022
2022-23 First Interim Report due to the County Office of Education	12/15/2022
2022-23 Second Interim Report data cut off	01/31/2023
2021-22 Second Interim Report due to the County Office of Education	03/15/2023

Property tax

The District will remain in community-funded status for 2022-23 and two subsequent years. Based on the latest real property roll as of May 6, 2022 issued by the Santa Clara County Assessor's Office, the property tax growth rate is 3.71% for the 2021-22 fiscal year. The final roll total of secured and unsecured will be released by the County Assessor's Office on June 30, 2022. Staff's assumption for property tax revenues for 2022-23 and two subsequent years are as follows:

2022-23	3%
2023-24	3%
2024-25	3%

Local Control Funding Formula (LCFF)

Although the District is community funded, several elements of the LCFF remain requirements for the District. These elements are as follows:

State Aid - Thirty-nine state 2012-13 categorical programs were consolidated in 2013-14 implementation of the LCFF formula and a Fair Share Reduction was applied during the Great Recession to Basic Aid Districts. The California Constitution under Article IX, Section 6 guarantees a minimum of \$120 per Average Daily Attendance (ADA) to be apportioned by the State School Fund. The net effect of this calculation resulted in \$324,666 in State Aid revenues.

Proposition 30 - The Education Protection Act (EPA) represents \$200 per ADA and must be spent on direct classroom support. These funds are currently used to pay for a portion of teacher salaries. The District receives \$327,927 from the State of California.

Unduplicated Students - The last element is the required set aside of community funded property taxes to serve the needs of our unduplicated student population (low income, foster youth, homeless, and English language learners). The 2022-23 Adopted Budget reflects an unduplicated pupil percentage of 9.10% (152 students) and requires a set aside amount of \$271,594. Planned goals and activities for these funds are included in the Local Control Funding Plan (LCAP).

Compensation

- **Salaries** – Negotiations have been settled for the 2022-23 fiscal year with a 3% on schedule

salary increase for all employee groups. These costs have been included in the 2022-23 Adopted Budget and two subsequent fiscal years. *No additional salary increases were included in the multiyear projections since negotiations have not yet been settled for 2023-24 or 2024-25.*

- **Health and Welfare**

- Plan changes were incorporated in the 2022-23 Adopted Budget. The District is moving from the Alameda County School Insurance Group (ACSIG) to the Santa Clara County School Insurance Group (SCCSIG) for dental and vision insurance. The savings was approximately \$98K for dental with a slight increase in Vision of \$13K for a total net savings of \$85K.
- Cost sharing between the District and Certificated, Confidential and Management employees for 2022-23 remains a 90% and 10% split effective July 1, 2022 and for the two subsequent fiscal years.
- Saratoga Classified Association - Health and Welfare benefit is capped at Kaiser family rate for 2022-23 and two subsequent fiscal years.

	2021-22 (Estimated Actuals)	2022-23 (Adopted Budget)	2023-24 (1st Subsequent Year)	2024-25 (2nd Subsequent Year)
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified	Kaiser Family Rate	Kaiser Family Rate	10% increase over prior year District's payment	10% increase over prior year District's payment
Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Estimated Cost for the District	\$3,668,534	\$3,896,977	\$4,286,674	\$4,715,341

Staffing

The 2022-23 Certificated FTE counts are based on the fourth release of the teaching assignment list by Human Resources dated May 3, 2022.

- A 1.5% step-and-column increase is assumed for all existing employees of \$383,975 and \$409,930 for the two subsequent years, respectively.
- No salary increases are included in the 2023-24 or 2024-25 fiscal years. Salary negotiations with both STA and SCA for the 2023-24 fiscal year will occur in the Spring of 2023.
- The 2022-23 budget includes the addition of Math TOSA and additional hours for a part-time Reading & Writing TOSA, and increased FTE's to reflect a 0.60 FTE SEL TOSA and full time Data TOSA.
- No attrition is assumed in the two subsequent fiscal years.

Full Time Equivalents

FTEs	2021-22	2022-23	2023-24	2024-25
Certificated	105.934	106.7	106.7	106.7
Certificated Management	8	8	8	8
Classified	76.6	74.4	74.4	74.4
Classified Management	5	5	5	5
Confidential	5	4	4	4

Utilities

An increase of 5% for electricity, gas, phone, water, garbage is assumed for 2022-23 and 10% in each of the two subsequent fiscal years.

Parcel Tax Spending Plan

Measure A passed in May of 2019 will provide parcel tax revenues beginning in 2020-21 and continue through 2027-28. Parcel tax revenues are fixed at \$68 per parcel generating an estimated annual income of \$475,000, net of exemptions in the current and two subsequent fiscal years.

The updated parcel tax spending plan for 2021-22 and 2022-23 is as follows:

Fund – Cost Center	Description	2021-22	2022-23
040-001810	Parcel Tax Funded FTEs	\$305,884	\$303,497
040-001830	Teacher Leadership Compensation	64,116	66,503
040-002130	Curriculum Development	39,500	39,500
040-007800	Site Based Technology	65,500	65,500
Total:		475,000	475,000

Saratoga Education Foundation (SEF)

At the March 24, 2022 Board Meeting, the Saratoga Education Foundation (SEF) presented a check in the amount of \$500,000 for the current fiscal year. The Adopted Budget includes SEF revenues of \$610,087 in the 2022-23 and two subsequent fiscal years. The expenditure plan below has allocated \$730,400 in 2021-22 and \$610,087 in 2022-23 for various needs.

SEF was unable to raise enough funds in 2021-22 resulting in some program reductions for the 2022-23 fiscal year. The elementary CSMA Art contract was eliminated, and art will be provided by the elementary teachers. The district will provide a general fund contribution for one additional year to cover the costs of Rhythm and Moves who provides enhanced physical education programs for elementary students and allows for elementary teachers to incorporate preparation time for instruction at a cost of \$141K. SEF contributions will be re-evaluated in January 2023 to determine the level of funding raised and determine next steps if funding continues to decline below the costs of the programs.

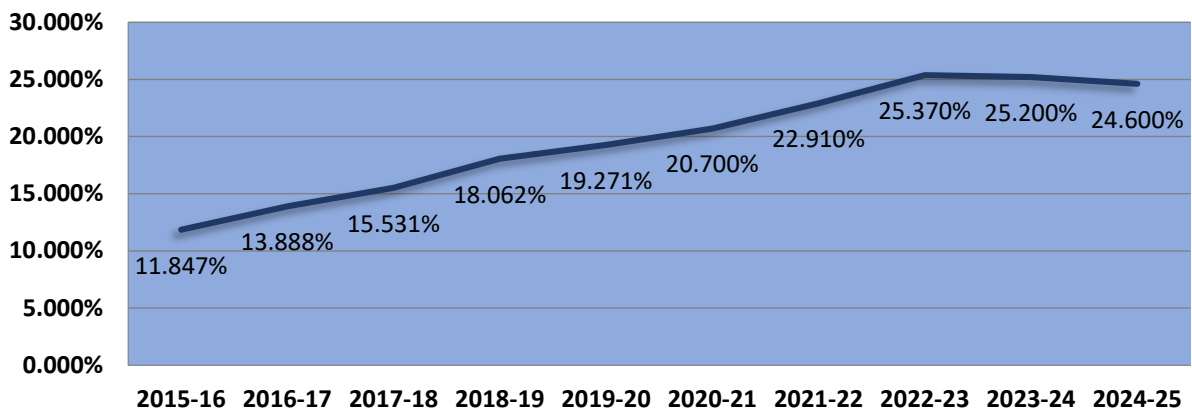
The 2022-23 and 2023-24 projected budgets include 1.5% step-and-column salary increases. Salary increases were not budgeted in the 2023-24 and 2024-25 fiscal years as negotiations have not yet been settled for those years.

Fund – Cost Center	Program	2021-22	2022-23
060-095710	Physical Education K-5	\$116,490	-
060-095713	Science Lab Aides K-5	65,941	\$87,742
060-095721	Music Program K-3	-	-
060-095722	Music Program 4-5	137,314	149,506
060-095723	Instructional Media Spec 3-5	185,091	194,424
060-095724	Art Program TK-5	55,530	-
060-095727	PLTW/Makerspace	170,034	178,415
Total Estimates:		\$730,400	\$610,087

PERS

The PERS employer rate applied to eligible classified salaries has increased 13.523% in the last seven years representing an expenditure increase of 114%. The employer contribution rates since 2015-16 are as follows:

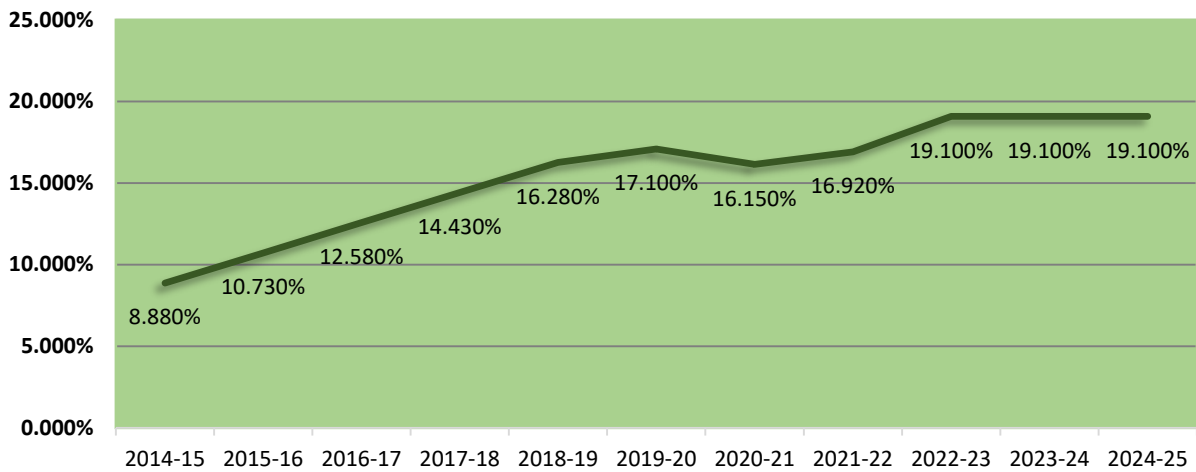
PERS Employer Rates



STRS

CalSTRS contribution rates and benefit levels are set in statute. Legislation is required to change the rates. The STRS employer rate applied to eligible certificated salaries has increased 10.3% in the last eight years representing an expenditure increase of 117%. The employer contribution rates are as follows:

STRS Employer Rates



Technology

The 2022-23 Adopted Budget includes two budgets for Technology. Cost Center 7600, the Technology Replacement budget is estimated at \$386,500 in the current and two subsequent fiscal years.

The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,187,585. This account is used to account for salaries and benefits of the Technology Department, software licenses, technology contracts, network expenses, materials and supplies and repairs. This amount continues in the two subsequent fiscal years.

2022-23 Contributions to Restricted Programs:

Routine Restricted Maintenance:	\$ 1,498,079
Special Education	\$ 4,552,467
New Teacher Support Project	\$ 15,600
After-School Sports	\$ 8,000
After-School Music	<u>\$ 10,000</u>
Total	\$ 6,084,146

Other Budget Items:

- General Fund contribution to the Deferred Maintenance Fund is \$1,000,000 for each of the three years listed.
- Estimated available General Fund transfers of \$1,000,000 to the Basic Aid Reserve Fund - (Special Reserve Fund 17) was included in the 2022-23 fiscal year only.
- An ongoing transfer to the Cafeteria Fund of \$96,000 was included in the 2022-23 and two subsequent fiscal years with the loss of federal waivers and the cost increases for staffing.
- The Supplemental Early Retirement Plan debt payments for five years starting in July 2020 through July 2024 at an annual cost of \$325,904.

Assigned Reserves

Set asides of the General Fund Balance Reserves that have not yet been budgeted as expenditures in the current or two subsequent fiscal years are as follows:

- Maintenance and Other Projects - \$500,000 has been assigned in the fund balance reserves for maintenance and other projects and major repairs.
- Technology Plan - \$250,000 for anticipated expenditures to be incurred per the Educational Technology Plan above the current level of expenditures in future years.
- K-8 Textbook Adoptions and Staff Development - \$725,000 for expected K-8 textbook adoptions, supplemental materials, and related staff development and curriculum support over the next three fiscal years. Drawdowns of these funds will occur if expenditures exceed Restricted Lottery funds each year.
- Supplemental Early Retirement Plan - \$651,080 was assigned to fund the supplemental early retirement plan debt service payments that will be incurred annually through July 2024.
- \$750,000 was set aside to address learning loss due to COVID-19. This will be drawn down over the next several years as TOSA positions are allocated to support learning loss and academic needs.

Budget Concerns:

- Rising inflation affecting services and supply costs.
- Declining Enrollment – continued decline as larger grades graduate from the middle school and are replaced by lower enrollment in TK and Kindergarten.
- Increasing Special Education costs.
- Continued decline in Saratoga Education Foundation revenues affecting General Fund and potential reductions in programs supported by community contributions.
- No additional funds were set aside to address future school renovations, upgrades or replacement of classroom furniture outside of anticipated asphalt and roof repairs.

Available Reserves:

	2022-23	2023-24	2024-25
General Fund Reserve for Economic Uncertainties – 3% Mandated	\$1,144,495	\$1,173,906	\$1,198,088
General Fund Undesignated/Unappropriated Amount	\$2,891,752	\$2,590,191	\$2,433,825
Special Reserve Fund	\$5,706,158	\$5,736,158	\$5,766,158
Total Available Reserves	\$9,742,405	\$9,500,255	\$9,398,071
Available Reserve %	25.54%	24.28%	23.53%