



2022-23 Second Interim Update – March 14, 2023

PRESENTED BY
JASON E. VANN – ASSISTANT SUPERINTENDENT, BUSINESS SERVICES

AGENDA TOPICS

- Revisiting Goal of the Second Interim
- Summarize Franklin-McKinley MYP Update
- Quick updates from Governor's Proposal
- Provide Explanation of Changes Since First Interim
- Discuss Next Steps
- Action Item – Board Certifies Second Interim Report





REVISITING GOAL OF SECOND INTERIM

Align FMSD MYP with Governor's Proposal

Update Trends (e.g., savings, staffing, new funding)

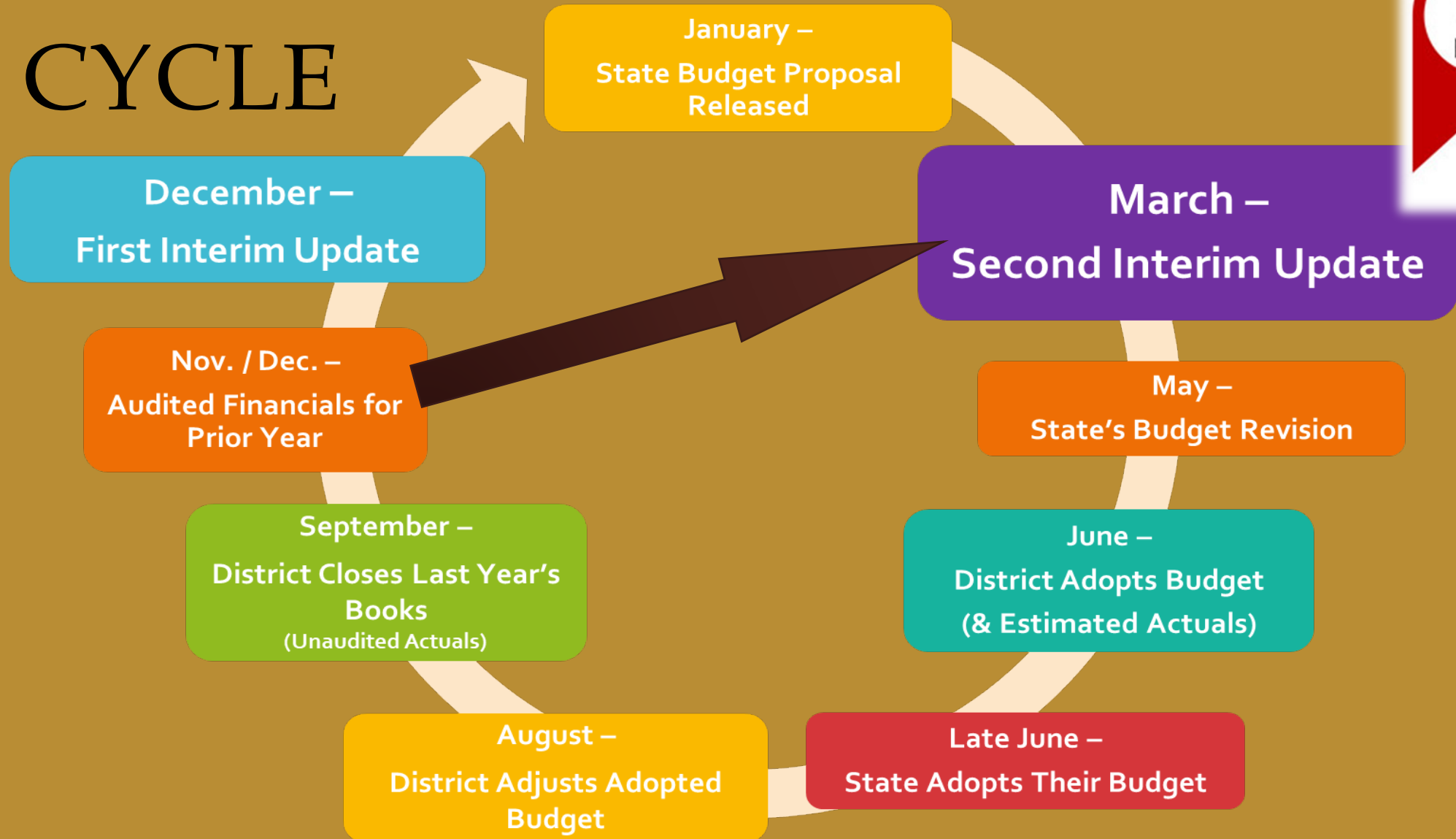
ACTION: Board required to certify MYP for the current year and two subsequent years twice a year

a) Based on “Interim Reports”

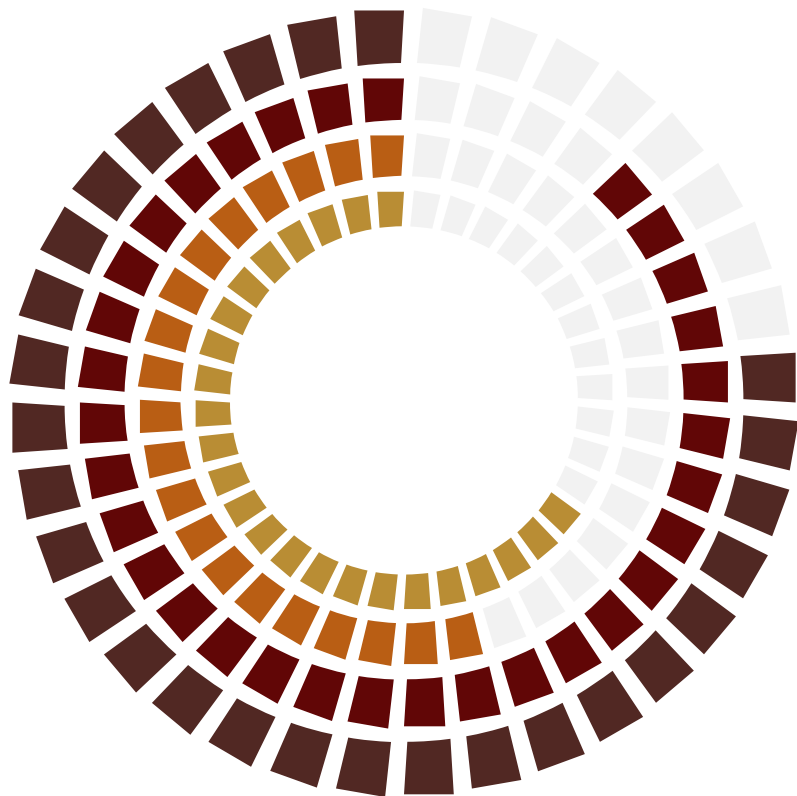
[EC 42130, EC 42131(a)(1) and (2)]

a) Interim Includes Snapshot of FMSD's financial position

BUDGET CYCLE



2023-24 LCFF OVERVIEW



8.13%

**Already accounted
for 5.38% at 1st
interim**

Statutory COLA

\$4.7 billion

\$5.04

Billion

Total 2023-24 LCFF funding
increase, utilizing \$1.4 billion
in one-time funding

New

Equity Multiplier

In conjunction with accountability
improvements, needed to
augment resources to support
highest-needs schools

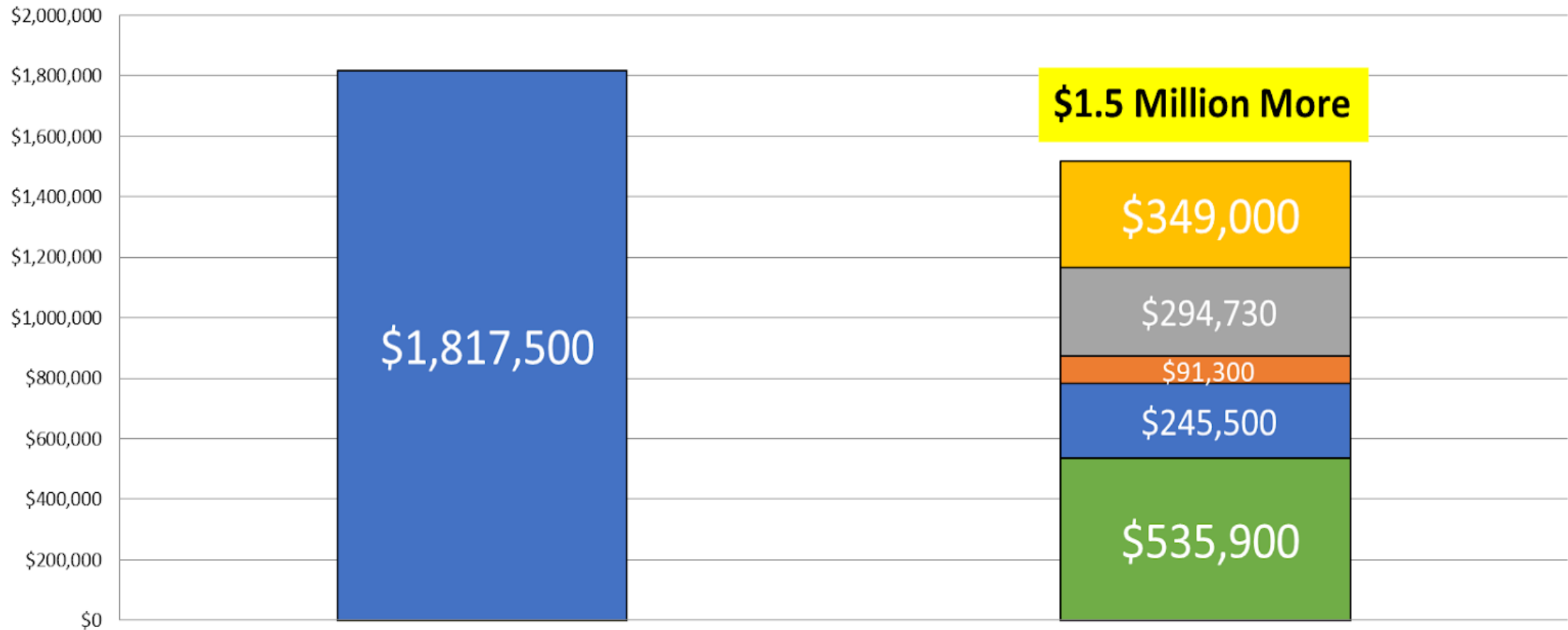
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Categorical Programs

COLA also applied to other
educational programs
funded outside of the LCFF

23-24 COLA Increase vs. 23-24 Expenditure increase

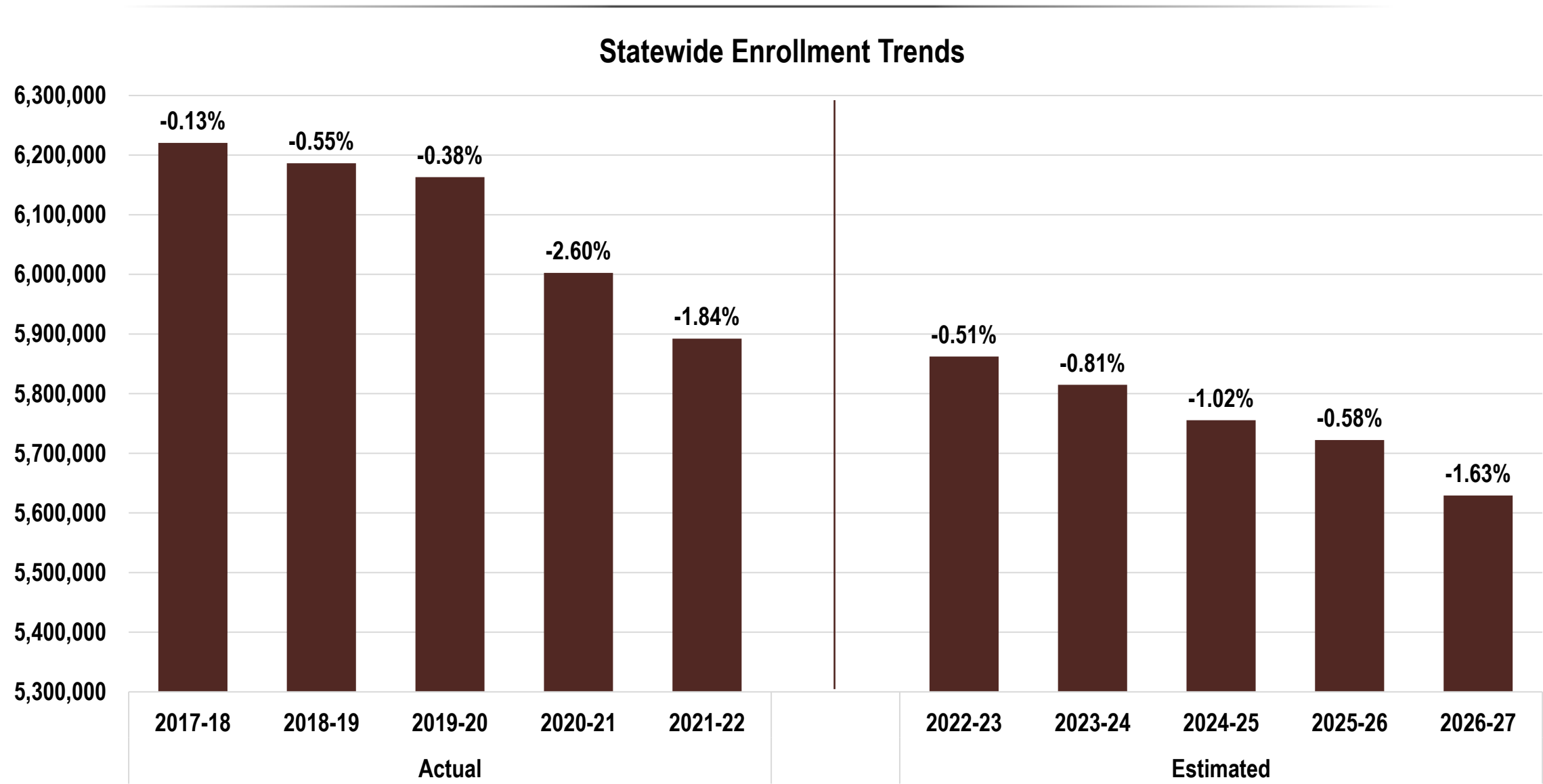
- COLA
- Cost of 1% - FMEA
- Cost of 1% - CSEA
- Cost of 1% - Man.
- CPI Increase
- CalPERS Increase (1.8%)



Additional Revenue Due to COLA Increase of 2.75%:
From 5.38% @ Adoption to 8.13% in Governor's Jan. Proposal

Additional Expenditure Considerations

STATEWIDE ENROLLMENT TRENDS – ONGOING ENROLLMENT LOSS



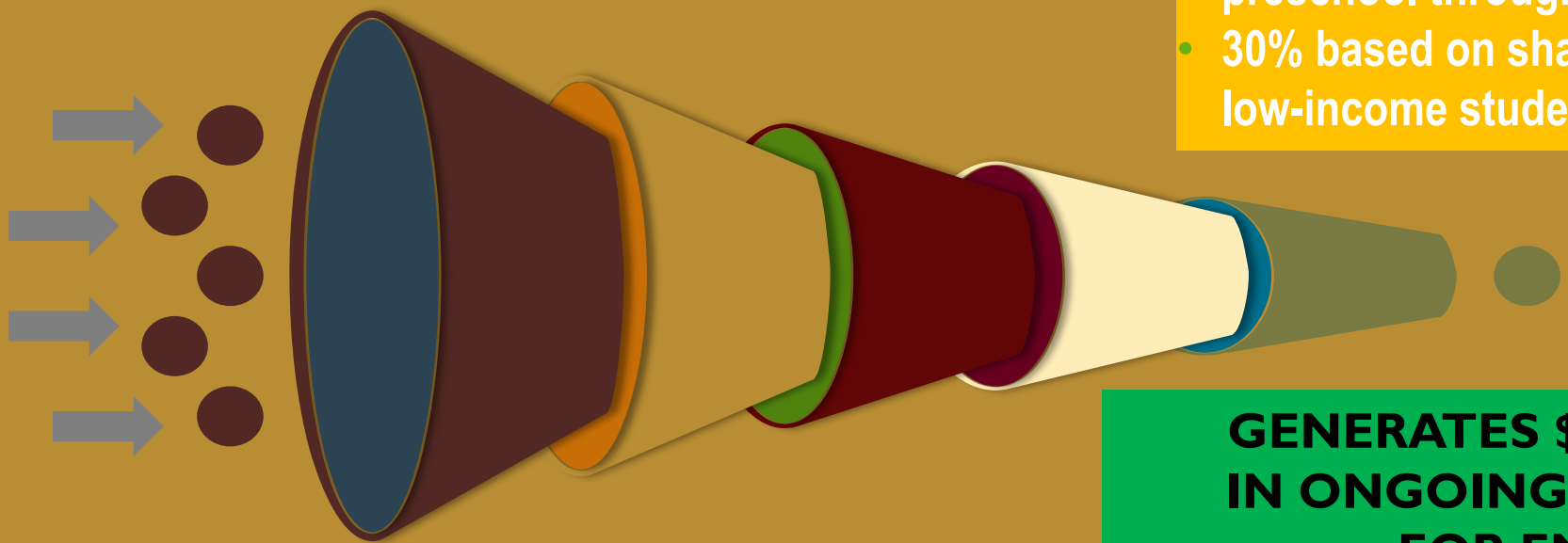
PROPOSITION 28: ARTS AND MUSIC IN SCHOOLS – FUNDING GUARANTEE AND ACCOUNTABILITY ACT

Beginning with the 2023-24 fiscal year, requires the state to provide additional, dedicated funding originating outside of Proposition 98 for arts and music education

**Estimated to increase
state costs by nearly \$1
billion in 2023-24**

- Funds distributed to LEAs:**
- 70% based on share of statewide enrollment in preschool through grade 12
 - 30% based on share of low-income students

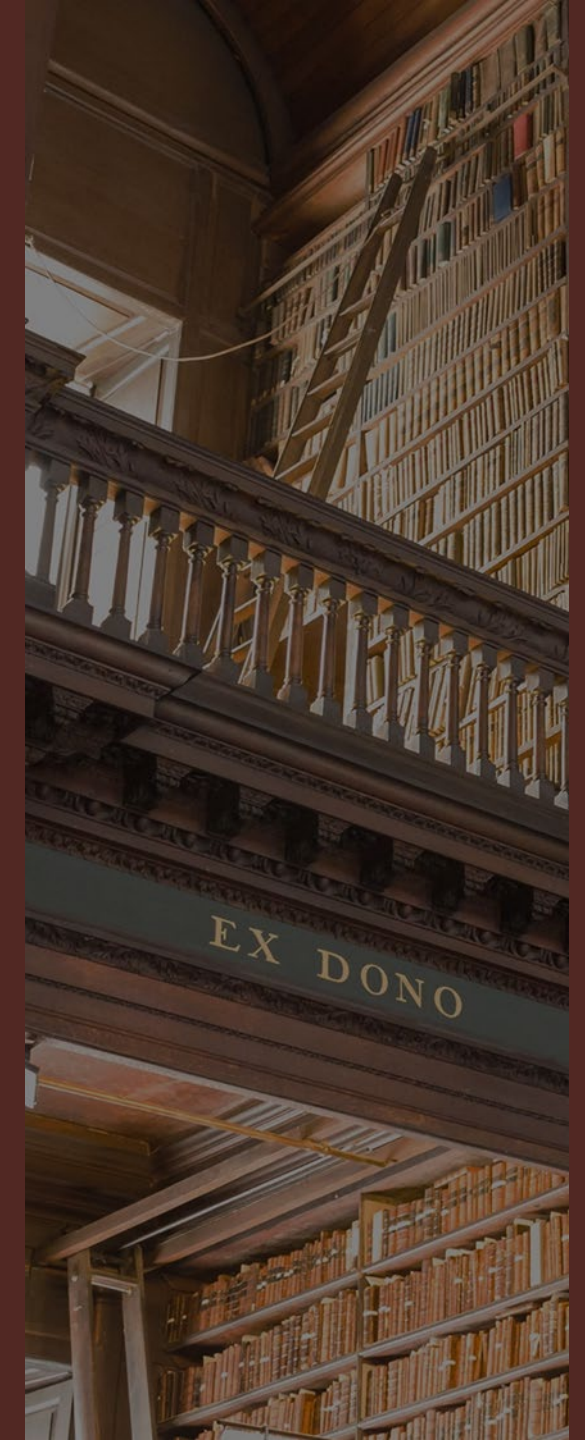
**The annual
amount is
equal to 1% of
the prior-year
Proposition 98
minimum
guarantee**





**GENERATES \$1 MILLION
IN ONGOING FUNDING
FOR FMSD**

SIGNIFICANT CHANGES

Category	2022-23	2023-24	2024-25
COLA Increase	-	\$1.8 M	\$1.2 M
Prop 28 Art & Music in Schools	-	\$1.0 M	\$1.0 M
Reduction in AMIM Block Grant	-\$1.3 M	-	-
CalPERS Rate Increase	-	-\$349K	-\$797K



ASSUMPTIONS NOT IN SECOND INTERIM

- An Economic Downturn  ; Another Stimulus Package 
- Second installment of supply chain funds to fight the raising cost of commodities
- Costs to fully implement Expanded Learning Opportunities (i.e., expanding CORAL)
- Impact of unsettled negotiations and potential position reclassifications
- TK ratios changing from 12:1 to 10:1
- No CalSTRS Rate Increase / No Pension Relief

MYP CAVEAT

We are using the best information we have currently.

ACTUAL RESULTS WILL VARY!

Combined General Fund		Unaudited			
Multi-Year Projections	Formula	Actuals	Multi-Year Projections		
(amounts in dollars)	Reference	2021-22	2022-23	2023-24	2024-25
Beginning Balance	(a)	\$25,259,570	\$32,058,075	\$43,180,762	\$30,114,614
Revenue	(b)	\$116,754,295	\$145,490,512	\$120,249,611	\$110,295,690
Expenditures	(c)	\$109,955,790	\$134,367,825	\$133,315,759	\$130,833,039
Net Increase / (Decrease)	(b) - (c) = (d)	\$ 6,798,505	\$ 11,122,687	\$ (13,066,148)	\$ (20,537,349)
Ending Balance	(a) - (d) = (e)	\$32,058,075	\$43,180,762	\$30,114,614	\$9,577,265
Total Available Reserves	(f)	\$14,715,476	\$10,512,896	\$8,236,891	\$3,924,992
Total GF Expenditures	(c)	\$109,955,790	\$134,367,825	\$133,315,759	\$130,833,039
Reserve @ Second Interim	(f) / (c)	13.38%	7.82%	6.18%	3.00%



Combined General Fund - Change from First Interim Budget					
(amounts in dollars)	<i>Formula Reference</i>	<u>First Interim 2022-23</u>	<u>Second Interim 2022-23</u>	<u>Variance Increase /(Decrease)</u>	<u>Percent Change</u>
<i>Formula Reference</i>		(A)	(B)	(A) - (B) = (C)	(C) / (A)
Beginning Balance	(a)	\$32,058,075	\$32,058,075	\$0	0.00%
Revenue	(b)	\$146,340,061	\$145,490,512	\$ (849,549)	(0.58%)
Expenditures	(c)	<u>\$134,970,406</u>	<u>\$134,367,825</u>	<u>\$ (602,581)</u>	(0.45%)
Net Increase / (Decrease)	(b) - (c) = (d)	<u>\$ 11,369,655</u>	<u>\$ 11,122,687</u>	<u>\$ (246,968)</u>	(2.17%)
Ending Balance	(a) - (d) = (e)	\$43,427,730	\$43,180,762	\$ (246,968)	(0.57%)
Reserve Percentage		8.85%	7.82%	(1.03%)	

Revenue By Major Category		Second Interim % of Total		First Interim	Second Interim	Increase / (Decrease)	Percent Change
LCCF & Other		57.62%		\$83,762,125	\$83,845,279	\$ 83,154	0.10%
Federal Revenue		11.89%		\$16,843,411	\$17,293,291	\$ 449,880	2.67%
State Revenue		22.73%		\$34,399,698	\$33,067,633	\$ (1,332,065)	(3.87%)
Local Revenue		<u>7.76%</u>		<u>\$11,334,827</u>	<u>\$11,284,309</u>	<u>\$ (50,518)</u>	(0.45%)
Total Revenue		<u>100.00%</u>		<u>\$146,340,061</u>	<u>\$145,490,512</u>	<u>\$ (849,549)</u>	(0.58%)

REASON FOR SIGNIFICANT REVENUE CHANGES

Federal Revenue Increased approx. \$450K

- \$221K increase due to identified special ed contracted services expense to be paid with one time Amer. Rescue Plan funding. Funds must be spent by September 2023 (i.e., Nursing expenditures)
- \$170K increase due to spending down of ESSER III funds (Contracted Social Workers & para-educators)
- \$59K increase primarily due to additional Title I expenditures.
- Revenue increases above have corresponding expense increase.

State Revenue Decreased approx. \$1.3 million

- Decrease primarily due to the 34% mid-year funding reduction by the State to the Art, Music and Instructional Materials Block Grant.

Expenditures By Category	Second Interim % of Total	First Interim	First Interim	Increase / (Decrease)	Percent Change
Certificated Salaries	37%	\$49,970,510	\$49,930,030	\$ (40,480)	(0.08%)
Classified Salaries	13%	\$18,152,771	\$17,434,221	\$ (718,550)	(3.96%)
Benefits for All	23%	\$31,596,679	\$30,744,102	\$ (852,577)	(2.70%)
Books & Supplies	7%	\$9,377,806	\$9,373,035	\$ (4,771)	(0.05%)
Services & Other	20%	\$25,789,479	\$26,802,979	\$ 1,013,500	3.93%
Capital Outlay & Other	<u>0%</u>	<u>\$83,161</u>	<u>\$83,458</u>	<u>\$ 297</u>	0.36%
Total Expenditures	<u>100.00%</u>	<u>\$134,970,406</u>	<u>\$134,367,825</u>	<u>\$ (602,581)</u>	<u>(0.45%)</u>

REASON FOR SIGNIFICANT EXPENDITURE CHANGES

Classified Salaries

Decreased by approx. \$718K

- Primarily due to the unfilled special education positions

Benefits for All

Decreased by approx. \$852K

- Decrease primarily due to vacant positions & updating benefit expenditures for recently filled positions.

Services & Other

Increased by approx. \$1.1M

- Due to positions remaining vacant we increased contracted services to provide support, including skilled nursing, para-educators, social worker service, NPS, etc.

Components of Ending Balances June 30, 2023 Projection	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<i>Percentage of Ending Balance</i>
<i>(Amounts in Dollars)</i>				
Prepaid Expenditures	\$ 662,047	\$ -	\$ 662,047	2%
Legally Restricted (1)	\$ -	\$ 21,289,732	\$ 21,289,732	49%
Committed (2)	\$ 8,028,730	\$ -	\$ 8,028,730	19%
3% Economic Uncertainty	\$ 4,031,035	\$ -	\$ 4,031,035	9%
2% Board Reserve	\$ 2,687,357	\$ -	\$ 2,687,357	6%
Unassigned Reserve (3)	<u>\$ 6,481,861</u>	<u>\$ -</u>	<u>\$ 6,481,861</u>	<u>15%</u>
Ending Balance Projected	<u>\$ 21,891,030</u>	<u>\$ 21,289,732</u>	<u>\$ 43,180,762</u>	<u>100%</u>

(1) - Primarily ELO Program, Learning Recovery and remaining ESSER Funds. Remaining dollars primarily restricted for Social & Emotional supports including increasing the number of social workers & paras, continue COVID safety measures, support increase in Arts & Music supports, etc.

(2) - Committed for Tech & related infrastructure refresh, SERP payments, cash flow, lower class size ratios, eliminating combos, and projected deficit spending

(3) - Amounts will also be used to reduce class size for UTK, retain staff when other one-time COVID funds are exhausted, support curriculum adoption, bus replacements, deferred maintenance, etc.

ONE-TIME & RESTRICTED FUNDS AWARDED TO DISTRICT IN RECENT YEARS

- ❖ **Federal** - \$38.1M of which \$7.9M remains
- ❖ **State** - \$33.2M of which \$23.2M remains
- ❖ **Total** - **\$71.3M of which \$31.1M remains**
- ❖ **Past funds** used for:
 - ✓ COVID Response (i.e., testing, test kits, HVAC upgrades and maintenance, distance learning solutions, cleaning materials, hire additional custodians, etc.,)
 - ✓ Increased staffing (i.e., longer hours for paras, reduce class size, hire social workers, student support specialists) learning recovery supports, accelerate learning, etc.
 - ✓ Other: Compensation increases, tech refresh and upgrades,
- ❖ **Remaining dollars** primarily restricted for social emotional support for students (i.e., Social Workers, nursing support), Extended Learning Opportunities, Learning Recovery, Tech refresh and upgrades, SERP payments, continuation of reduced class sizes and combo classes.

Next Steps

❖ **Action Item For Board Tonight** – Approval of Interim, as presented

- Staff submits Interim to County for review – March 2023
- Governor's May Revise – May 2023
- Assumptions for Adopted Budget for 2022-23 finalized – May 2023
- Present Governor's May Revise to FMUSD Board – June 13, 2023
- Present District Budget Proposal to FMUSD Board – June 13, 2023
- FMUSD Board Adopts District's 2023-24 Budget – June 27, 2023

Any
1.1
Questions

APPENDIX

RESOURCES

Used to
Develop Projections

SCHOOL SERVICES OF CALIFORNIA

SANTA CLARA COUNTY OFFICE OF EDUCATION

GOVERNOR'S JANUARY PROPOSAL

CALIFORNIA DEPARTMENT OF EDUCATION

COOPERATIVE STRATEGIES DEMOGRAPHIC STUDY

FCMAT CALCULATOR



Historical Enrollment Trends

HISTORICAL ENROLLMENT PER CDE DATA QUEST (23% DECLINE)



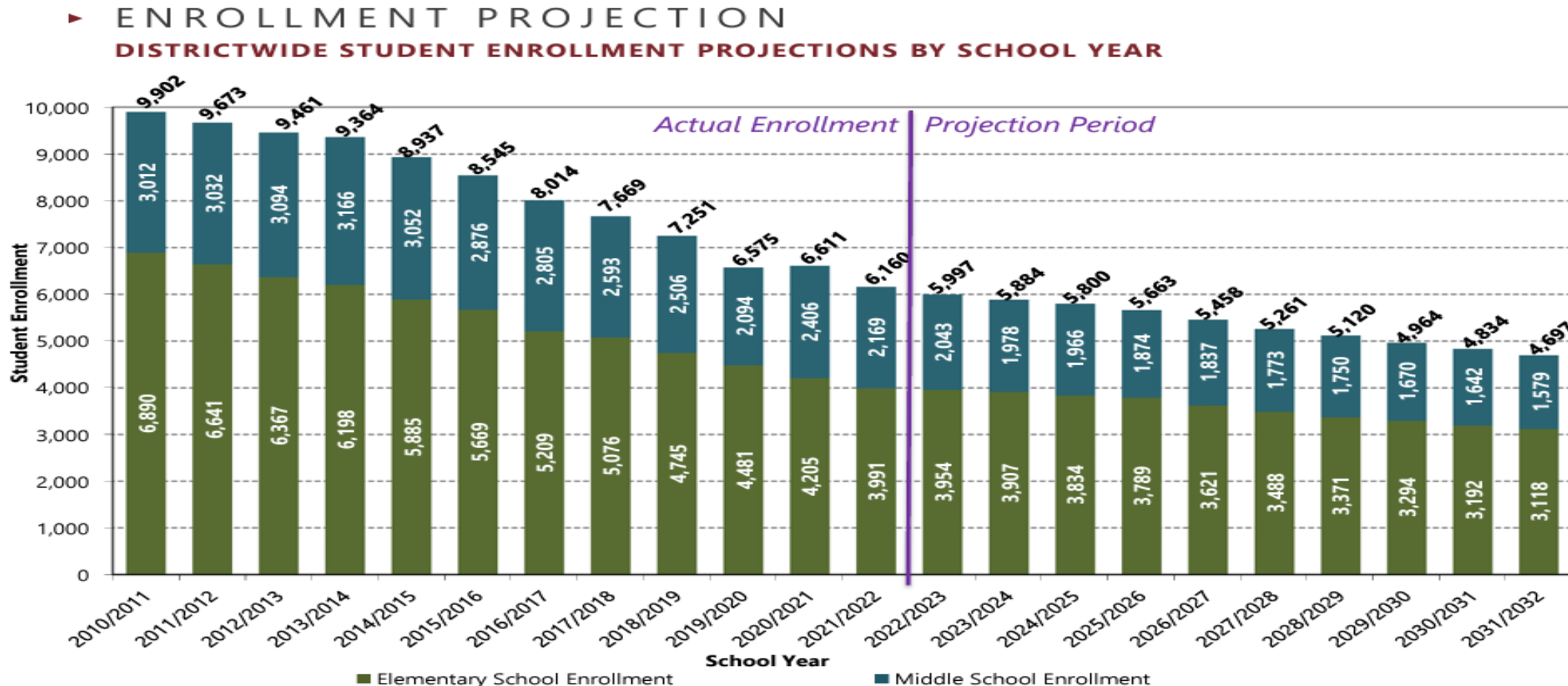
Expecting 78%
Unduplicated
Percentage
for 2022-23

Fueled by a
Free and
Reduced
Percentage of
75%

31% decline in
enrollment since
2000/2001



Projected Enrollment Trends



Another
27%
decline
projected
from
2021-22
to
2031-32



OTHER TAKEAWAYS FROM GOVERNOR'S BUDGET

THEMES FOR THE 2023-24 GOVERNOR'S BUDGET

- California seems to have turned the page in State Budget development: from COVID-19 pandemic budgeting since May 2020 to more business as usual
 - Unfortunately, business as usual comes with a softening economy
 - Fortunately, California is better prepared to weather the proverbial storm due to investments made and reserves built up during the good years
- The Governor's Budget is focused on maintaining programs where possible while trimming others
 - As the COVID-19 crisis recedes, other crises receive more attention—homelessness, housing, and extreme weather
 - All of which affect our students and educators
- As bare bones as it is, the Governor's Budget is precariously balanced and a change in the economic forecast could require more difficult decisions at the May Revision

PROPOSITION 98 AND THE EDUCATION BUDGET

- Proposition 98 resources grow leaner in the Governor's Budget, as do the proposed investments for K-12 schools and community colleges
 - **Maintaining the purchasing power of the Local Control Funding Formula (LCFF) takes center stage with the cost-of-living adjustment (COLA)**
 - **Governor Newsom remains committed to key priorities in transitional kindergarten (TK) and expanded learning**
 - **The budget furthers educational equity to address persistent learning and achievement gaps**
 - **Governor Newsom surprises K-12 with a “sweep” of funding for arts and music instruction**

PROPOSED STATE BUDGET AND LEA IMPACTS

- For education, Governor Newsom proposes a State Budget to preserve investments made during the boom years
 - The number of major changes for 2023-24 can be counted on one hand
 - However, the changes proposed are significant for local educational agencies (LEAs) across the state and include a proposed mid-year cut to previously budgeted one-time funds
- At least for now, gone are the litany of new ongoing and one-time categorical programs that have filled the Proposition 98 minimum guarantee during the economic expansion years



2023-24 LCFF FUNDING FACTORS

Grade Span	TK	K-3	4-6	7-8
2022-23 Base Grant per ADA	\$9,166	\$9,166	\$9,304	\$9,580
8.13% COLA	\$745	\$745	\$756	\$779
2023-24 Base Grant per ADA	\$9,911	\$9,911	\$10,060	\$10,359
Grade Span Adjustment	\$1,031	\$1,031	–	–
TK add-on (inclusive of COLA)	\$3,042	–	–	–
2023-24 Adjusted Base Grant per ADA	\$13,984	\$10,942	\$10,060	\$10,359
20% Supplemental Grant per ADA ¹	–	\$2,188	\$2,012	\$2,072
65% Concentration Grant per ADA ²	–	\$7,112	\$6,539	\$6,733

¹Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 20% and Unduplicated Pupil Percentage (UPP)

²Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

SSC Financial Projection Dartboard

Planning Factors						
		2022-23	2023-24	2024-25	2025-26	2026-27
DOF ¹ Planning COLA		6.56%	8.13%	3.54%	3.31%	3.23%
California CPI ²		6.00%	3.44%	2.77%	2.49%	2.74%
Unemployment Insurance		0.50%	0.20%	0.20%	0.20%	0.20%
California Lottery	Unrestricted per ADA	\$170	\$170	\$170	\$170	\$170
	Restricted per ADA	\$67	\$67	\$67	\$67	\$67
Mandate Block Grant (District)	Grades K-8 per ADA	\$34.94	\$37.78	\$39.12	\$40.41	\$41.72
	Grades 9-12 per ADA	\$67.31	\$72.78	\$75.36	\$77.85	\$80.36
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$18.34	\$19.83	\$20.53	\$21.21	\$21.90
	Grades 9-12 per ADA	\$50.98	\$55.12	\$57.07	\$58.96	\$60.86

¹Department of Finance (DOF)

²Consumer Price Index (CPI)

CalSTRS Employer Contribution Rates

- **Similar to the California Public Employees’ Retirement System (CalPERS), the Governor does not include any new funding towards California State Teachers’ Retirement System (CalSTRS) relief for LEAs**
- **SSC recommends that LEAs anticipate a CalSTRS employer contribution rate of 19.10% in 2023-24 based on the best information available to date from CalSTRS**
 - **Thereafter, CalSTRS projects an employer contribution rate of 19.10% for the next several years**

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	16.92%	0.77%
July 1, 2022	19.10%	2.18%
July 1, 2023	19.10%	0%
July 1, 2024	19.10%	0%
July 1, 2025	19.10%	0%

CalPERS Employer Contribution Rates

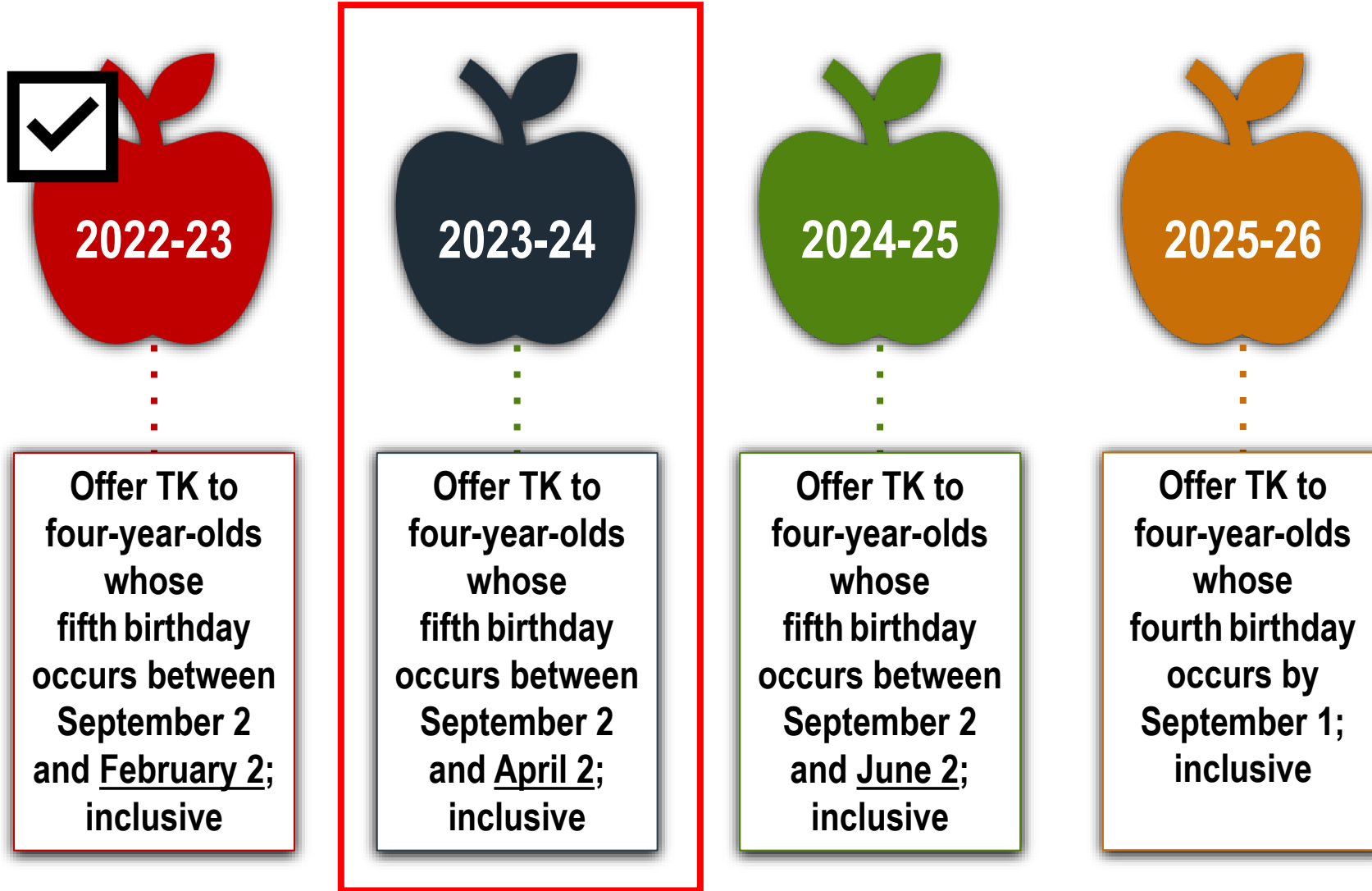
- Governor Newsom did not propose providing CalPERS relief for LEAs
- Based on the latest information from CalPERS, the employer contribution rate for 2023-24 would increase from the current rate of 25.37% to 27.00%

Year	Prior Projections per SSC Dartboard	Projected Rates per Most Recent CalPERS Actuarial Report ¹
2022-23	25.37%	25.37%
2023-24	25.20%	27.00%
2024-25	24.60%	28.10%
2025-26	23.70%	28.80%

¹Projected rates reflect an investment loss for 2021-22 based on preliminary investment returns, as well as an anticipated decrease in normal cost due to new hires entering lower cost benefit tiers

Source: Schools Pool Actuarial Valuation as of June 30, 2021

Universal Transitional Kindergarten Implementation



- The Governor continues to prioritize implementation of universal transitional kindergarten (UTK)
- The Governor's Budget provides an additional investment of \$690 million ongoing General Fund to implement second year of UTK expansion
- Proposition 98 minimum guarantee is "rebenched" to account for the expanded universe of TK students

UTK Penalties

