



Budget Advisory Committee Summary of: 2023-24 1st Interim Update and Impact of Governor's Proposals for the 2024-25 FY

**School
Services
of California**
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Fiscal Cliff Requiring Tough Decisions

Why?

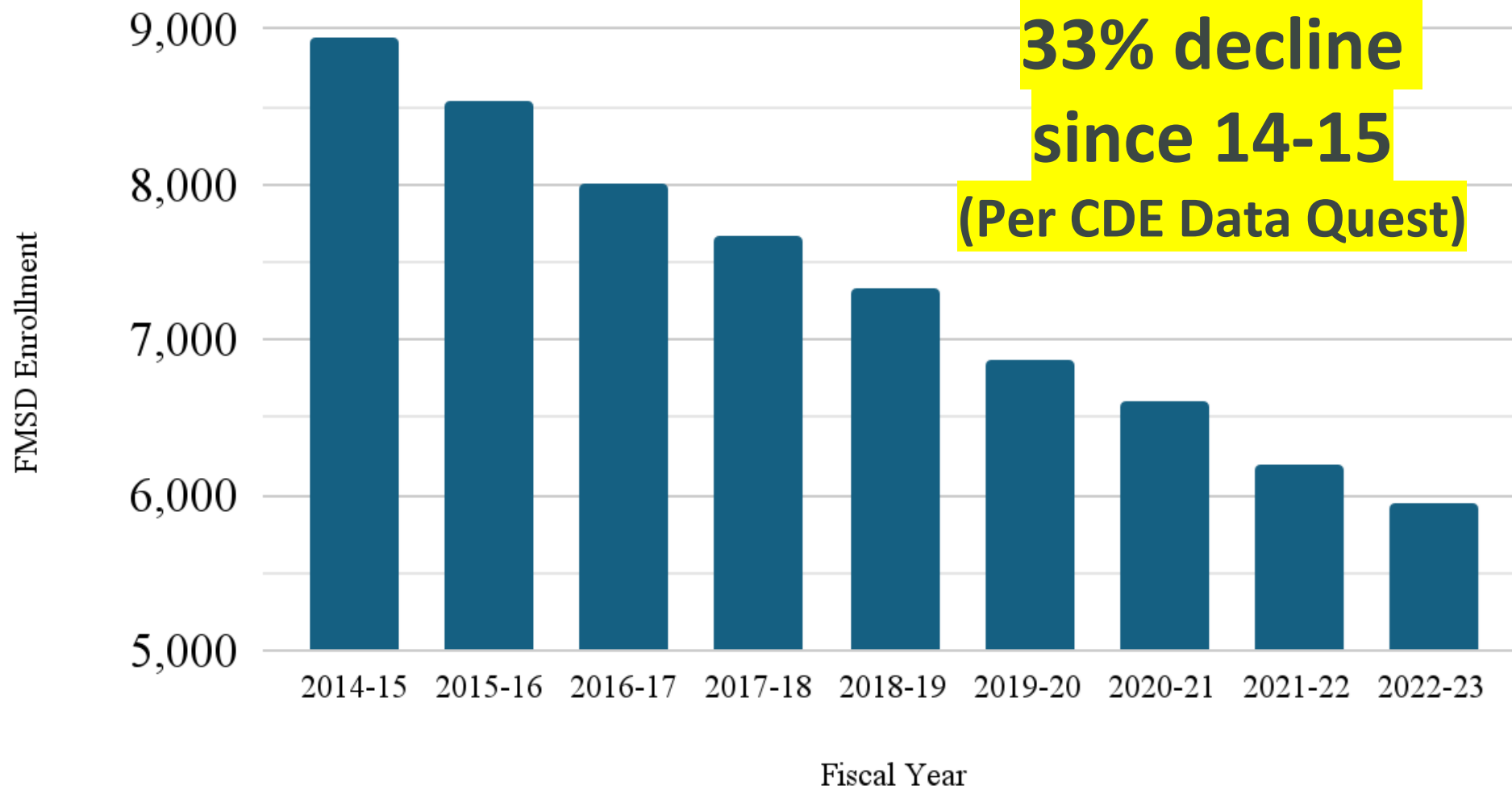
- One-time COVID funds will be fully exhausted by September 2024
- Rapidly rising operating costs
- COLA increases in funding not able to cover rising operating costs
- Continued Declining Enrollment
- Changing Demographics

Possible Next Steps

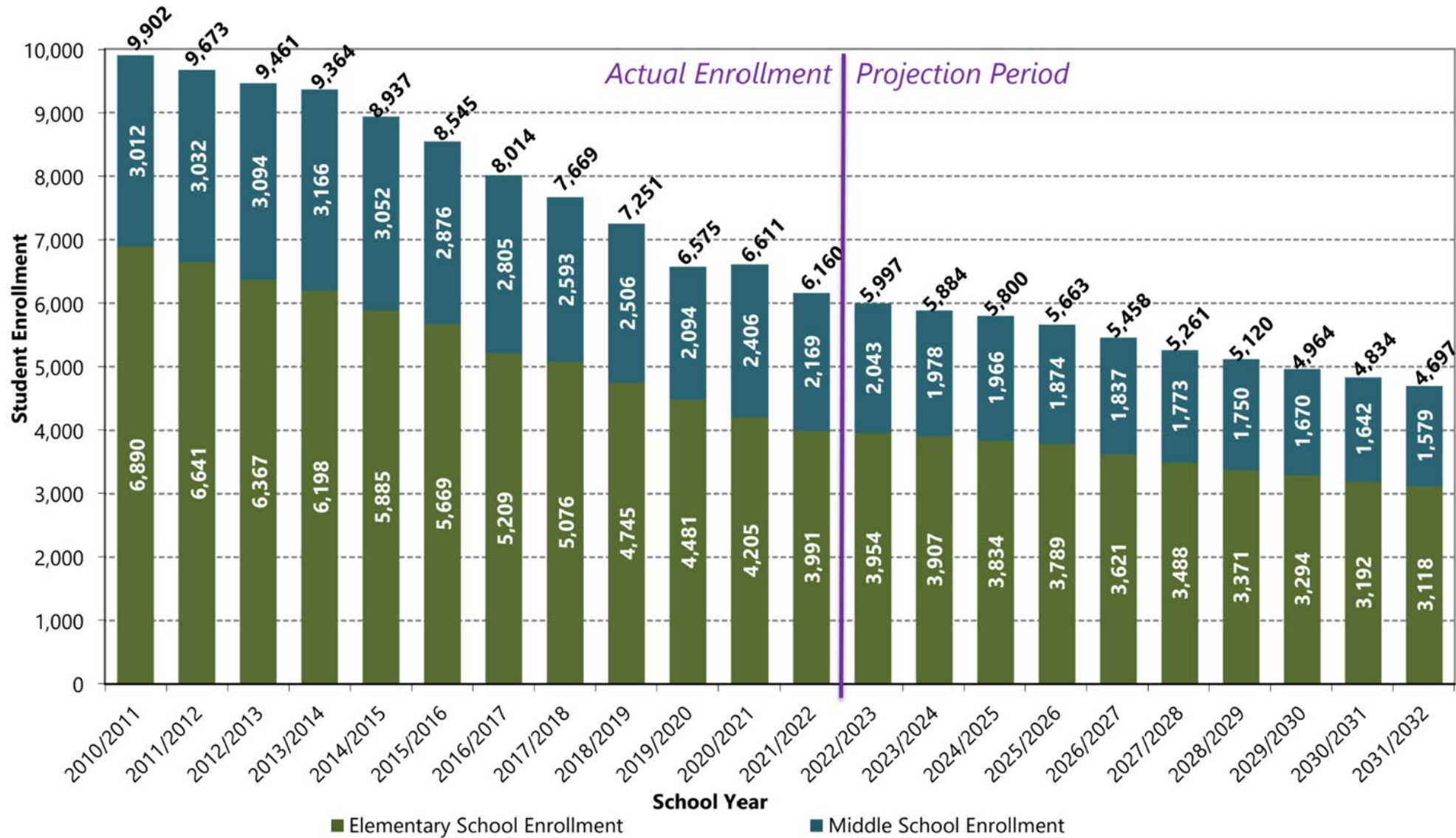
- Eliminate all expenditures paid with one-time funds
- Finalize expenditure reductions to remain fiscally solvent
 - Consolidate schools
 - Eliminate positions
 - Reduce contracts
 - Stretch tech refresh timeline
 - Delay or reduce curriculum adoptions
- Prepare **March 15, 2024** notices
 - CSEA,
 - FMEA,
 - Management



Enrollment Trend



► ENROLLMENT PROJECTION DISTRICTWIDE STUDENT ENROLLMENT PROJECTIONS BY SCHOOL YEAR



Last Enrollment Projection
(March 2022)

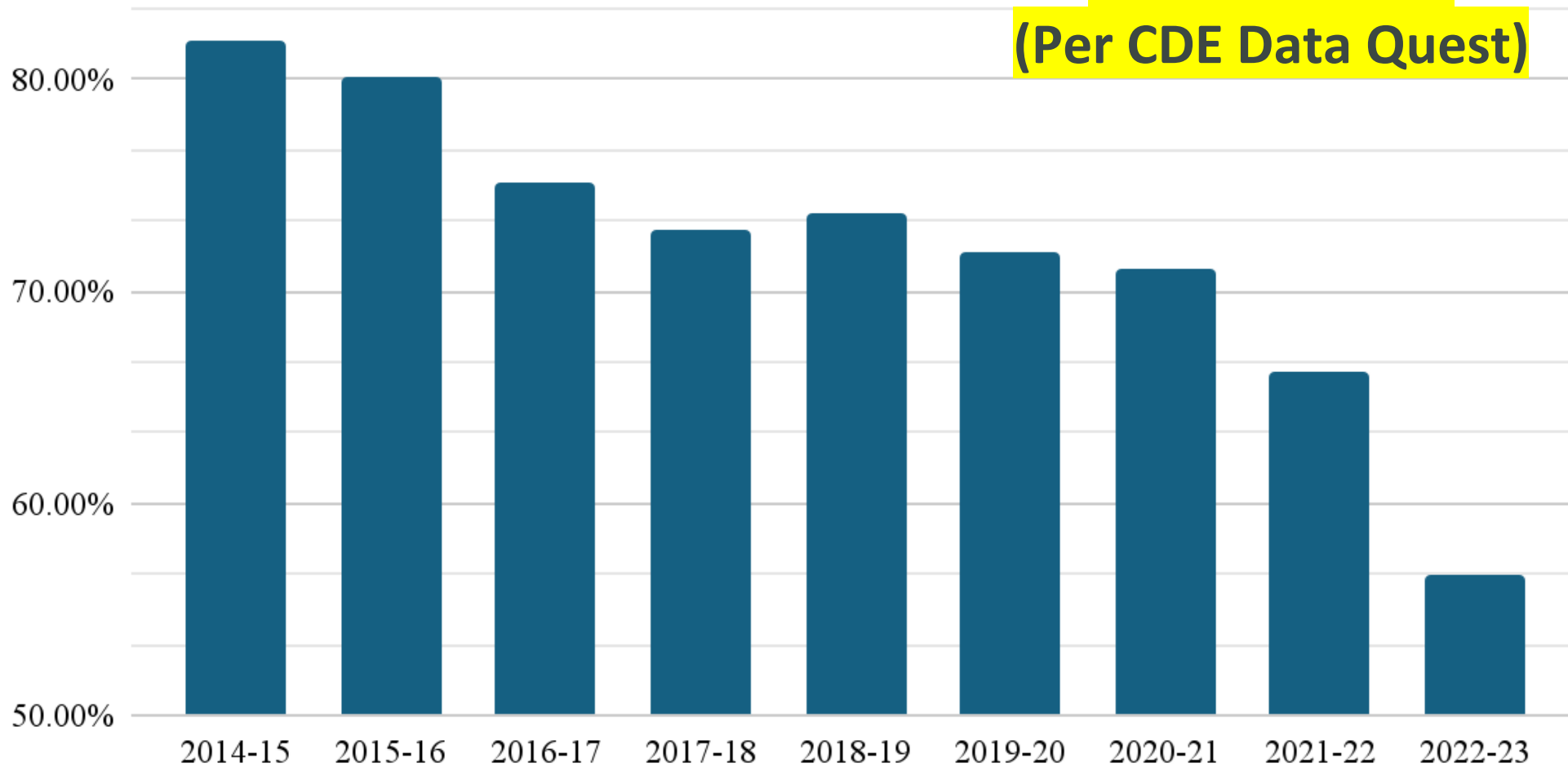
Enrollment By FMSD School Site Trend

	Enrollment Number by site								Increase (Decrease)
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	
Bridges	452	378	345	297	331	315	287	282	-38%
Dahl	611	565	549	521	486	426	414	414	-32%
CCA	175	196	210	214	239	209	199	203	16%
Franklin	726	680	665	603	567	525	521	544	-25%
Hellyer	384	407	402	402	374	363	374	373	-3%
Meadows	533	521	501	481	491	459	432	436	-18%
Lairon	402	359	383	330	338	300	315	318	-21%
Los Arboles	399	370	353	310	247	225	188	195	-51%
McKinley	348	315	286	272	236	230	236	241	-31%
Ramblewood	368	371	351	346	312	275	259	260	-29%
Kennedy	441	420	390	388	363	306	308	309	-30%
Santee	443	425	423	413	388	363	359	345	-22%
Shirakawa	814	799	759	703	664	793	633	522	-36%
Stonegate	728	705	681	636	594	536	537	523	-28%
Sylvandale	713	716	574	465	462	401	371	328	-54%
Windmill	470	437	440	481	508	461	509	570	21%

Enrollment By Charter School Site Trend

	Enrollment Number - Charter Schools							Increase (Decrease)
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	
ACE	278	304	288	250	244	222	221	-21%
Cornerstone	451	519	543	538	521	521	520	15%
KIPP	335	451	452	456	453	452	447	33%
Rocketship Mosaic	583	574	579	584	616	558	565	-3%
Rocketship Raising Star	465	561	631	630	616	608	593	28%
Rocketship Spark	591	601	608	618	625	571	558	-6%
Voice	483	478	481	457	431	403	364	-25%
Total	3186	3488	3582	3533	3506	3335	3268	3%

FRPM Percentage Trend



FRPM Percentage Trend

Fiscal Cliff Requiring Tough Decisions

These cuts are in First Interim Update



Elimination of Over \$8 million in Positions Funded With One-Time Dollars

March 15, 2024 Notices	<u>FTE</u>	<u>Estimated Savings (in Millions)</u>
Certificated	10.00	\$1.34
Classified	11.36	\$0.95
Management	<u>6.00</u>	<u>\$1.11</u>
Total	<u>27.36</u>	<u>\$3.40</u>
March 15, 2025 Notices	<u>FTE</u>	<u>Estimated Savings (in Millions)</u>
Certificated	13.00	\$2.00
Classified	0.00	\$0.00
Management	<u>0.00</u>	<u>\$0.00</u>
Total	<u>13.00</u>	<u>\$2.00</u>
March 15, 2026 Notices	<u>FTE</u>	<u>Estimated Savings (in Millions)</u>
Certificated	18.00	\$2.71
Classified	0.00	\$0.00
Management	<u>2.50</u>	<u>\$0.20</u>
Total	<u>20.50</u>	<u>\$2.91</u>

Fiscal Cliff Requiring Tough Decisions



It Could Get Worse!

- Expected COLA for 24-25 will most likely be revised downward unless the Governor intervenes
- 24-25 COLA At Adopted Budget and First Interim is **3.94%**
- We have 6 of the 8 quarters needed to calculate COLA for next year. Based on those results, Kenneth Kappahn, Principal Fiscal and Policy Analyst at the LAO, announces at the CBO Symposium 2024-25 statutory COLA to be approximately **1.00%**
- A COLA decrease from 3.94% to 1% for 24-25 means the **loss of \$3M in ongoing revenue.**
- Said another way, **a loss of \$3M in 24-25 and another \$3M in 25-26** compared to what we are showing in the MYP for first interim.

Assumptions Not in First Interim

- + Enrollment Increasing
- Economic downturn reducing per student funding from State, Federal and Local sources
- Additional Costs of Universal Transitional Kindergarten Program (i.e., staffing, facilities, new services) & Possible TK Penalties

TK Staffing Ratios going from 12:1 to 10:1 in out years; If enrollment remains the same this will require at least 2 more TK teachers (or another **\$228K in annual expenditures**)

- Reduced 24-25 COLA from 3.94% to 1% = **a loss of \$3M in ongoing revenue.**

25-26 may also be revised downward.

- + **MYP Caveat** - We do not know exactly what the future holds for FMUSD but this MYP is based on the best information we have as of late November.
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Actual results will vary

Combined General Fund		Unaudited			
Multi-Year Projections	Formula	Actuals	Multi-Year Projections		
(amounts in dollars)	Reference	2022-23	2023-24	2024-25	25-26
Beginning Balance	(a)	\$32,058,075	\$48,999,203	\$40,323,119	\$25,095,286
Revenue	(b)	\$137,256,430	\$134,409,284	\$115,981,983	\$116,447,624
Expenditures	(c)	\$120,315,302	\$143,085,368	\$131,209,816	\$133,808,134
Net Increase / (Decrease)	(b) - (c) = (d)	\$ 16,941,128	\$ (8,676,084)	\$ (15,227,833)	\$ (17,360,510)
Ending Balance	(a) + (d) = (e)	\$48,999,203	\$40,323,119	\$25,095,286	\$7,734,776
Total Available Reserves	(f)	\$6,015,765	\$7,154,268	\$6,560,491	\$4,068,120
Total GF Expenditures	(c)	\$120,315,302	\$143,085,368	\$131,209,816	\$133,808,134
Reserve at First Interim	(f) / (c)	5.00%	5.00%	5.00%	3.04%
Reserve at Adopted Budget	Jun 2023	5.00%	5.10%	5.00%	3.00%

Impact of COVID-19 Protections on MYPs

COVID-19 Funding



- More than \$26 billion of federal, one-time funding was invested from 2019-20 through 2024-25
- Final tranche of ESSER¹ is approximately \$14 billion and must be fully obligated by September 30, 2024



ADA Protections



- Adjustments to reported 2021-22 ADA using 2019-20 attendance yields resulted in a one-time bump to funded ADA
- Inclusion of the option to use the average of three prior years' reported ADA to determine current-year funded ADA



Healthy Reserves



- The infusion of one-time funding, plus the abeyance of declining enrollment and suppressed attendance yields have allowed LEAs to weather the COVID-19 pandemic with minimal disruptions
- In fact, many LEAs were able to add staff and programs

¹Elementary and Secondary School Emergency Relief Fund

Projected Ending Balance – June 30, 2024

Components of Ending Balances As of June 30, 2024 <i>(Amounts in Dollars)</i>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<u>Percentage of Ending Balance</u>
Prepaid Expenditures	\$ 713,010	\$ -	\$ 713,010	1.77%
Legally Restricted (1)	\$ -	\$ 20,904,470	\$ 20,904,470	51.83%
Committed (2)	\$ 11,548,774	\$ -	\$ 11,548,774	28.64%
Assigned (2% Board Reserve - Resolution 2011-25)	\$ 2,861,707	\$ -	\$ 2,861,707	7.10%
3% Economic Uncertainty	\$ 4,292,561	\$ -	\$ 4,292,561	10.65%
Unassigned Reserve	<u>\$ 2,597</u>	<u>\$ -</u>	<u>\$ 2,597</u>	<u>0.01%</u>
Ending Balance	<u>\$ 19,418,649</u>	<u>\$ 20,904,470</u>	<u>\$ 40,323,119</u>	<u>100.00%</u>

(1) - Primarily ELO Program funds (\$9.1M) and Learning Recovery Emergency Block Grant (\$6.5M)

(2) - Committed for Curriculum Adoption, SERP payments, and projected deficit spending



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Assigned	\$2.9	Additional 2% reserve based on board resolution 2011-25
Committed	\$8.9	Mitigations measures - To offset future deficit spending; extend positions funded with expired one-time funds.
Committed	\$1.6	Supplemental Employment Retirement Plan (SERP) Payments to be made
Committed	\$1.0	Curriculum Adoption
Ed Code Requirement	\$4.3	3% reserve for economic uncertainty required by Ed Code
Non-Spendable	\$0.7	Prepaid Health Insurance Expenditures



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Restricted	\$9.1	Expanded Learning Opportunities Program – Only provides funding for afterschool, intersessional and summer school enrichment programs; Can't be used during the day; Focus on developing the academic, social, emotional, and physical needs and interests of pupils through hands-on, engaging learning experiences;
Restricted	\$6.5	Learning Recovery Emergency Block Grant can only be used for learning recovery initiatives through the 2027-28 school year that supports academic learning recovery, and staff and pupil social and emotional well-being. Currently used to pay for Social Workers, Student Support Specialists and increased hours for Paraeducators. (Spend by June 2028)
Restricted	\$1.7	Other Restricted Local Grants are restricted based on funding source. Include funds received from Packard, Applied Materials, CA Community Schools Partnership Program Grant, donations to the school sites, etc.
Restricted	\$1.4	Arts, Music & Instructional Materials Block Grant funds are to obtain standards-aligned PD and instructional materials in specified areas, obtain PD on improving school culture, develop diverse and culturally relevant book collections, operational costs and COVID personal protective equipment. (Spend by June 2026)



Buckets of the Projected Ending Balance

<u>Category</u>	<u>Amount</u>	<u>Description</u>
Restricted	\$0.8	Educator Effectiveness Block Grant funds are intended to support professional learning for teachers, administrators, classified staff, and paraprofessionals who work with pupils. Primary focus is SEL & ELD (Spend by June 2026)
Restricted	\$0.7	Lottery: Instructional Materials – Shall only be used for the purchase of instructional materials.
Restricted	\$0.5	Universal Prekindergarten Planning & Implementation Grant is an early learning planning and capacity building initiative with the goal of expanding access for preschool-age students to Prekindergarten (Pre-K) programs at local educational agencies (LEAs). Grant funds may pay for costs associated with creating or expanding California State Preschool Programs or Transitional Kindergarten (TK) programs or establish or strengthen partnerships with other providers of Pre-K education within the LEA, including Head Start programs. (Spend by June 2026)
Restricted	\$0.2	Classified School Employee Summer Assistance Program (CSESAP) provides up to a dollar-for-dollar match on amounts withheld from a participating districts' classified school employees' monthly paychecks.

What Does the Reduced COLA Mean for FMSD’s LCFF?

<u>LCFF Annual Revenue</u> <u>(in Millions)</u>	<u>First Interim</u>	<u>Second Interim</u>	<u>Delta</u>
2024-25	\$83.1	\$79.8	Loss of \$3.3M
2025-26	\$82.8	\$78.4	Loss of \$4.4M
2026-27	\$84.0	\$79.2	Loss of \$4.8M

Loss of \$12.5M over the next 3 years.

MYP Scenario	23-24	24-25	25-26	26-27
	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>	<u>Consolidated</u>
Beginning Fund Bal.	\$ 48,999,202	\$ 40,177,043	\$ 24,949,210	\$ 15,186,686
Revenue @ First Interim	\$ 134,409,284	\$ 115,981,983	\$ 116,445,611	\$ 117,615,814
Second Interim Adjustment (Gov. January Proposal / LCFF Update)	\$ (146,076)	\$ (3,350,000)	\$ (4,350,000)	\$ (4,800,000)
Adjusted Revenue	\$ 134,263,208	\$ 112,631,983	\$ 112,095,611	\$ 112,815,814
Expenditures before cuts	\$ 143,085,367	\$ 140,709,816	\$ 141,829,134	\$ 141,538,084
One Time Cuts @ First Interim	\$ -	\$ (3,479,000)	\$ (2,000,000)	\$ (2,900,000)
Ongoing Cuts Need At First Interim	\$ -	\$ (6,021,000)	\$ (6,021,000)	\$ (6,021,000)
Expenditures at First Interim	\$ 143,085,367	\$ 131,209,816	\$ 133,808,134	\$ 132,617,084
Additional Cuts	\$ -	\$ -	\$ (7,600,000)	\$ (8,080,000)
Reductions Due to COLA Decrease	\$ -	\$ (3,350,000)	\$ (4,350,000)	\$ (4,800,000)
Additional Cuts Needed To Get to 3% in 26-27	\$ -	\$ (3,350,000)	\$ (11,950,000)	\$ (12,880,000)
Total Cuts	\$ -	\$ (12,850,000)	\$ (19,971,000)	\$ (21,801,000)
Adjusted Expenses	\$ 143,085,367	\$ 127,859,816	\$ 121,858,134	\$ 119,737,084
Net Change After Contribution	\$ (8,822,159)	\$ (15,227,833)	\$ (9,762,523)	\$ (6,921,270)
Ending Fund Balance	\$ 40,177,043	\$ 24,949,210	\$ 15,186,686	\$ 8,265,416
Committed / Restricted Fund Balance	\$ 33,166,255	\$ 18,526,795	\$ 9,389,913	\$ 4,590,701
Unrestricted Reserve	\$ 7,010,788	\$ 6,422,414	\$ 5,796,773	\$ 3,674,715
Reserve Percentage	4.90%	5.02%	4.76%	3.07%

Required cuts have increased considerably to meet 3% reserve in 26-27!

**Based on the Preliminary MYP
Presented the District would need
identify and cut:**

\$12.85 M in 24-25

\$10.60 M in 25-26

\$3.83 M in 26-27

To Reach a 3% reserve in 26-27

