



Roseland School District Budget Study Session

Special Meeting of the Board of Trustees
February 5, 2024

Study Session: Objective & Agenda

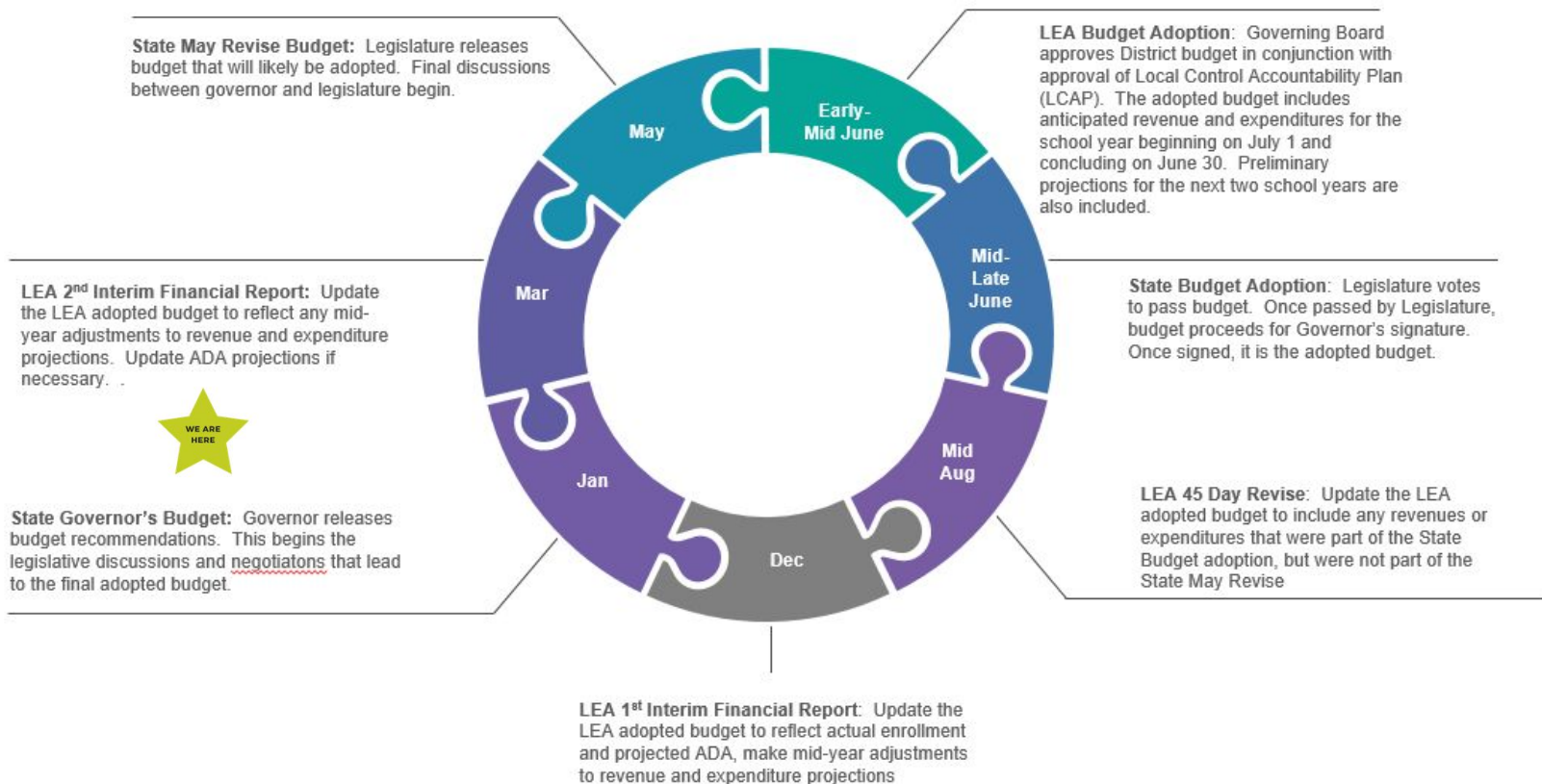
Objective:

Provide information on the Governor's Proposal for the 2024-25 State Budget as it relates to the financial outlook of the Roseland Public Schools

Agenda:

- Share State Budget outlook and potential budget impact over the next several years
- Discuss impact of expiring COVID pandemic relief funding on Roseland community
- Review Fund Balance reserve requirements and considerations
- Discussion

State Budget: Timeline



State Budget: Highlights of Governor's Proposal

Future Cost of Living Adjustments (COLA) decrease significantly from the June 2023 state Enacted Budget and the COLAs of the prior several school years

Governor reports a \$38B deficit; Legislative Analyst's Office (LAO) reports a \$68B deficit - \$30B difference

- About half of the difference is partially due to how deficit is calculated and reported between the Education budget (Prop 98 "side") and non-Education budget
- Other half of difference is due to different revenue projections
 - *Governor is projecting \$15B more in revenues over three years than LAO*

Retroactive deficit of \$8B in Prop 98 (Education funding)

- Schools have already received (and spent!) funding that was ultimately not received by the state (delayed tax filing deadline resulted in lack of certainty about 2022-23 revenues at the time State Budget was enacted)
- Governor does not propose a solution for this unprecedented deficit
- This matter may be resolved during budget negotiations with legislature

State Budget: Governor's Budget "Story"

Governor Newsom*:

"This is a story of correction, a story of normalization after a period of tremendous amount of distortion."

LAO Analysis**:

"Overall, the Governor's budget runs the risk of understating the degree of fiscal pressure facing the state in the future. The Legislature likely will face more difficult choices next year. To mitigate these challenges, we recommend the Legislature develop this year's budget with a focus on future years. Specifically, we suggest the Legislature: (1) plan for lower revenues, (2) maintain a similar reserve withdrawal, (3) develop a plan for school and community college funding, (4) maximize reductions in one-time spending, and (5) apply a higher bar for any discretionary proposals and contain ongoing service level."

* Gavin Newsom's public comments, while presenting his proposed budget on January 10, 2024

** Reference link: [Legislative Analyst's Office, The 2024-25 Budget: Overview of the Governor's Budget](https://bit.ly/LAOG24-25) or <https://bit.ly/LAOG24-25>

State Budget: Risk to Roseland

1. Low Cost of Living Adjustment (COLA) of 0.76% included for 2024-25
 - Lowest COLA in 40 years, other than negative COLA of -0.39 in 2010-11
 - COLA is not aligned with inflationary metrics - not consistent with price increases at the grocery store, gas pump etc. felt by all Roseland employees

2. The State's options for managing the deficit could result in low levels of future education funding or cutbacks to current funding
 - The \$8B retroactive deficit could be solved in a number of ways - this will likely be determined through the legislative process over the next several months
 - Future state deficits can be partially addressed through strategic use of reserves, but that will lessen the state's ability to minimize future budget cuts as the reserves are used
 - The solution to the retroactive deficit could impact the options for managing the future deficit.

District Revenue Projections

Assumptions:

- Significant Increase in enrollment from 22-23 - we are projecting 1510 for 2024-25 and then flat ongoing
- Governor's Budget COLAs

	2022-23	2023-24	2024-25	2025-26	2026-27
COLA	13.26%	8.22%	0.76%	2.73%	3.11%
Enrollment	1459	1465	1510	1510	1510
ADA*	1346.26	1382.07	1420.58	1420.58	1420.58
Revenue / ADA	14,302	15,545	15,647	16,049	16,532
Revenue***	20,397,479	21,484,451	22,227,725	22,799,537	23,484,378
Revenue Increase from Prior Year		1,086,972	743,274	571,812	684,841

**ADA for 2023-24 is based on P1 reporting completed in January 2024*

**** Revenue is Local Control Funding Formula (LCFF) Revenues - no restricted or other revenues; LCFF calculation (ADA * Revenue/ADA) will vary depending on whether ADA factor is for current year, prior year or 3 year average, as well as additional funding for TK ADA. Calculation taken from LCFF Calculator*

Expenditure Summary: COVID Funding Expiring

COVID pandemic relief funds must be fully spent by schools by September 2024

Many critical positions and vital services have been funded by COVID funds

- Expenditure report included in appendix to this presentation lists recurring services, supplies and positions funded in 2023-24 through COVID relief dollars
 - Charter: approximately \$2.2M
 - District: approximately \$1.2M
- Some of these services could be eligible for funding out of new temporary restricted grants allocated by the State in 2022-23

Grant	Amount	Expiration
Learning Recovery	\$2.5M	June 2028
Arts/Music/Instructional Materials	840K	June 2026
Literacy & Reading Specialist Grant (RLA targeted)	\$577K	June 2028
Educator Effectiveness	\$321K	June 2026

Multi-year Projection of Budget Adjustments

	2024-25	2025-26	2026-27
Anticipated new LCFF Revenue <i>Increases from 23-24</i>	743,000	1,315,000	2,000,000
Less new cost for new staff to support enrollment growth <i>(Increase from 23-24)</i>	(220,000)		
Less Anticipated Increased Costs for LCAP Wages/Benefits - 2.5% (excludes any negotiated wage increases) - (includes new staff listed above) <i>Increases from 23-24</i>	(457,000)	(1,152,000)	(1,639,000)
Less Anticipated Increased costs for LCAP Supplies - 0.5% <i>Increases from 23-24</i>	(2,000)	(4,000)	(6,000)
Less Anticipated Increased costs for LCAP Services (including timesheet/stipends) - 1.5% <i>Increases from 23-24</i>	(48,000)	(97,000)	(146,000)
Surplus/(Deficit):	16,000	62,000	209,000

All values rounded to the nearest 1000s

Risks to Multi-year Projection: Unknowns

The Multi-year projection adjustment calculation on the prior slide could be changed by any of the following risks or uncertainties:

Revenue Risks: State Budget

- COLA is a statutory calculation that is based on federal economic growth indicators – COLA calculations for the “outyears” (2-3 years from now) are unpredictable
- Large state budget deficit (retroactive and projections) may result in partially or fully unfunded COLA in the outyears - revenue projections include fully funded COLAs

Revenue Risk: Roseland School District

- Enrollment and ADA has significantly inclined during the 2023-24 school year – revenue projections included in this presentation reflect this increase in the future years

Expenditure Risks:

- Fiscal impact of labor union negotiations and health/welfare increases for future salary/benefit costs is unknown

Fund Balance Considerations

Roseland School District has two mandated Reserves for Economic Uncertainties:

1. State Mandated Reserve of 3% of total expenditures
 - This reserve must be met by state statute
2. Local Board Mandated Reserve of 12% of total expenditures
 - This reserve can be altered by Resolution of the Board of Trustees

The Board's historical reserve policy provides a significant cushion that will allow the District to weather many economic downturns at the state level.

Because of the low COLA for 2024-25 and the impact of the state's uncertain budget future it may be prudent for the District to consider the use of the locally mandated reserve to ensure stable operations for Roseland. This is not needed or recommended at this time, but may become a Board consideration in the near term future.

Next Steps & Discussion

1. Ongoing negotiations with labor partners
 - Will determine amount of new wage/benefit obligations required to sustain staffing
2. Administration will bring a resolution to the Charter Board that will outline proposed expenditure reductions on February 27, 2024; District Board would potentially take action on positional reductions on March 6, 2024
3. Second Interim Financial report, presented to Board on **March 13, 2024** will include updated budget projections, including Fund Balance projections
4. 2024-25 Local Control and Accountability Plan (LCAP) will be presented to Board for adoption in June 2024 - this will be the overall expenditure plan for the 2024-25 school year
5. Adopted Budget for 2024-25 will be presented to Board in June 2024, and will include fiscal impact of expenditure reductions approved by Charter Board on February 27 and by District Board on March 6, 2024, and impact of expenditure plan outlined in 2024-25 LCAP

Appendix: Detailed Expenditure Reports

1. Roseland Charter School 2023-24 estimated costs of recurring services, supplies and positions funded with COVID pandemic relief funds
2. Roseland School District 2023-24 estimated cost of recurring services, supplies and positions funded with COVID pandemic relief funds

Attached to Board agenda as separate documents