



Roseland Charter School Budget Study Session

Special Meeting of the Board of Directors
January 30, 2024

Study Session: Objective & Agenda

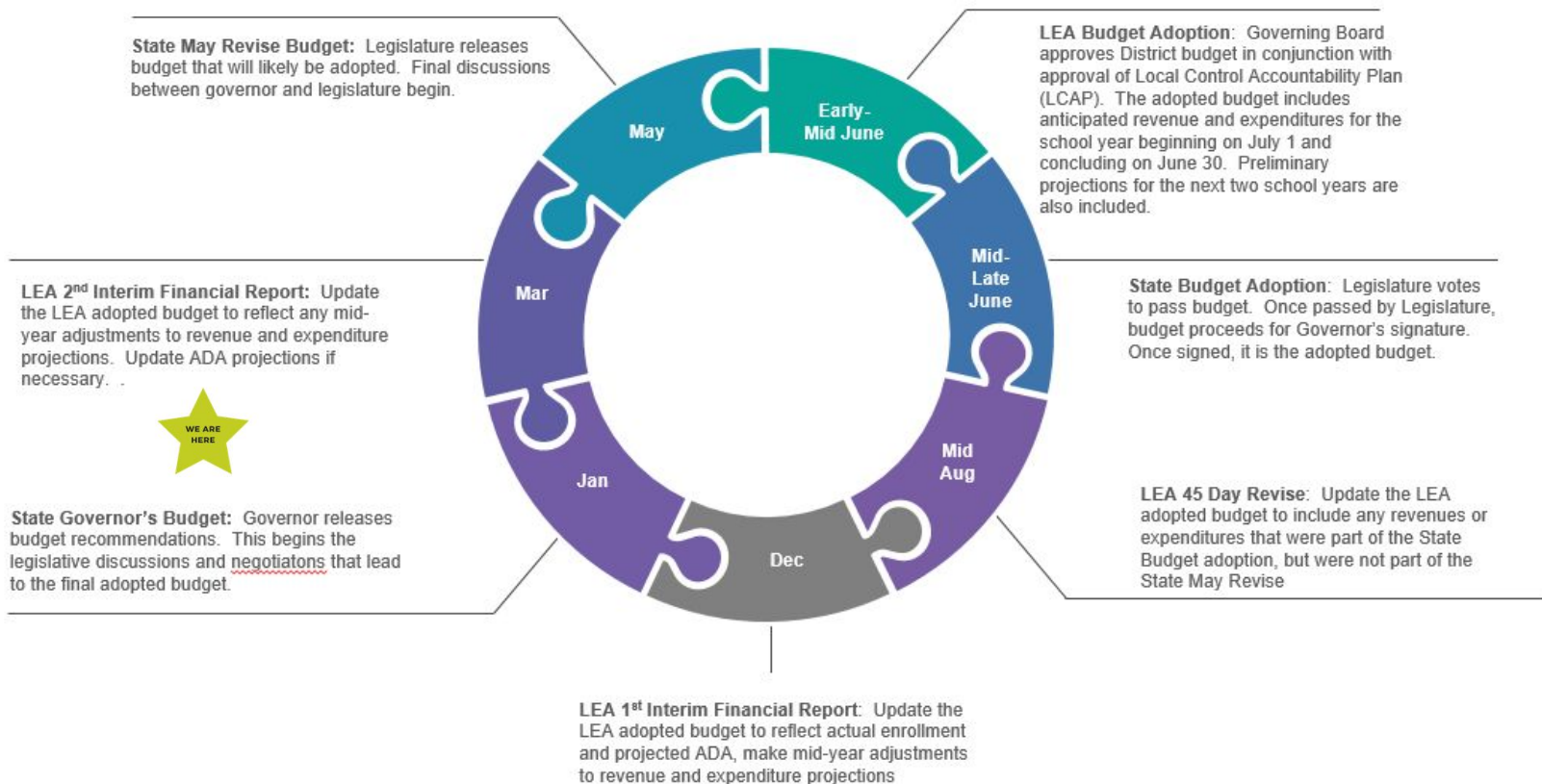
Objective:

Discuss Charter budget balancing options in light of anticipated Charter revenues and ongoing costs, including the impact of facility related liabilities

Agenda:

- Share State Budget outlook and impact on Charter revenues
- Outline ongoing expenditure categories
- Examine impact of facility liabilities payable in the short and long term
- Review Fund Balance reserve requirements and budget risks
- Consider budget balancing estimates and options
- 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/LAOGb24-25) or <https://bit.ly/LAOGb24-25>

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.

Charter Revenue Projections

Assumptions:

- Maintain consistent (“flat”) enrollment and ADA based on current year (2023-24) enrollment and ADA
- 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%
ADA*	1189.64	1170.34	1170.34	1170.34	1170.34
Revenue / ADA		15,485	15,700	16,117	16,619
Revenue**	\$17,144,401	\$18,122,337	\$18,374,235	\$18,862,764	\$19,449,744
Revenue Increase from Prior Year		\$977,936	\$251,898	\$488,529	\$586,980

**ADA for 2023-24 is based on P1 reporting completed in January 2024 - this is a decrease of 5.3 ADA from the First Interim budget report presented in December 2023*

*** Revenue is Local Control Funding Formula (LCFF) Revenues - no restricted or other revenues*

Expenditure Summary: LCAP

Most ongoing expenditures are in the Local Control Accountability Plan (LCAP)

Goal 1 Well Rounded Educational Program	Goal 2 Academic and Social/Emotional Support	Goal 3 Climate, Culture, Operations
<i>Actions</i>		
• Basic Staffing • Accelerated Schools Plus • Professional Development • Implementation of the Standards • Literacy • Instructional Materials • Enrichment • Technology Supplemental	• Academic Support Staff • Social/Emotional Staff and Services • Special Education • Supplemental Materials • EL Support • Site Based Intervention • After School Support • Student Engagement	• Welcome, Equitable, Inclusive School Culture • Safety • Family Engagement • Facilities • Transportation • Technology-Base • Operations

Expenditure report included in the appendix to this presentation includes the detailed actual costs incurred in the LCAP for personnel and non-personnel expenditures in the 2022-23 school year (reflecting most recent full year actual expense)

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 (approximately \$2.2M)
- 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	\$2.1M	June 2028
Arts/Music/Instructional Materials	\$800K	June 2026
A-G Grants	\$570K	June 2026
Educator Effectiveness	\$275K	June 2026

Facility Liabilities

Existing payments

1. RUP facility loan
 - \$321,482 annual payment through November 2047

New payments or increases to existing payments

2. RCP facility lease

	2022-23	2023-24	2024-25	2025-26	2026-27
Rent*	458,940	577,103	671,227	738,336	4,838,938

**increases due to escalating loan payments and rising insurance costs, including maturity balloon payment on RCP loan payable in December 2026 - \$4,452,181*

3. RAMS facility loans
 - \$381,803 annual payment through January 2052 (\$302K partial year payment in 2024-25 as payment start is October 2024)

Budget Balancing: Deficit Projection

	2024-25	2025-26	2026-27
Anticipated new LCFF Revenue <i>Increases from 23-24</i>	252,000	740,000	1,327,000
Less Anticipated Increased Costs for LCAP Wages/Benefits - 2.5% (excludes any negotiated wage increases) <i>Increases from 23-24</i>	(385,000)	(779,000)	(1,184,000)
Less Anticipated Increased costs for LCAP Supplies - 0.5% <i>Increases from 23-24</i>	(4,000)	(8,000)	(12,000)
Less Anticipated Increased costs for LCAP Services (including timesheet/stipends) - 1.5% <i>Increases from 23-24</i>	(50,000)	(101,000)	(153,000)
Less Facility Costs (new): RAMS Loan <i>Annual Payment</i>	(302,000)	(382,000)	(382,000)
Less Facility Costs (new): RCP Lease <i>Increases from 23-24</i> <i>Assumes lease ends in December 2026</i>	(94,000)	(161,000)	190,000
Less Facility Costs (new): RCP Balloon <i>December 2026 payment</i>			(4,452,000)
Surplus/(Deficit):	(583,000)	(691,000)	(4,666,000)

All values rounded to the nearest 1000s

Budget Balancing Considerations: Risks

The Deficit calculation on the prior slide could be changed by any of the following risks or unknown situations:

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 Charter School

- Enrollment and ADA has declined for the past several years – revenue projections included in this presentation include flat ADA trends

Expenditure Risks:

- Fiscal impact of labor union negotiations and health/welfare increases for future salary/benefit costs is unknown
- No costs budgeted for significant textbook adoptions or other instructional material acquisitions (software, technology)
- No costs budgeted for any type of significant facility maintenance repairs or upgrades
- No costs budgeted for new facility construction
- No costs budgeted for significant Special Education or other service expansion cost

Budget Balancing Considerations: Options

Options for reducing or eliminating the deficit include:

1. Revenue enhancement
 - Increase student enrollment/ADA
 - Fundraising campaign, solicitation of donations
2. Expenditure reduction
 - Reduce COVID funded expenditures or shift to new temporary funding sources
 - Reduce general fund expenditures
3. Restructure debt for RCP Facility loan to extend payback period of balloon payment

Current fund balance projections show that the Charter does not have the projected cash flow to meet currently incurred or new obligations within the next few years (2026-27 or 2027-28) unless revenue generation, expenditure reductions or debt restructuring (or, more likely, a combination of these strategies) occurs; The timing of this scenario will be impacted by the outcomes of the risks outlined on the prior slide, as well as any budget balancing options outlined on this slide.

Fund Balance Considerations: Reserves

Charter Budget Policy* (adopted October 19th, 2011) states:

“The Board shall establish and maintain a general fund reserve for economic uncertainty that meets or exceeds the requirements of law. (Education Code 33128.3; 5 CCR 15450)”

Historical Reserve for Economic Uncertainty (REU) has been 5%

Requirements of CCR 15450:

“(a) Available reserves for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures and other financing uses:

the greater of 5% or \$55,000 for districts with 0-300 ADA

the greater of 4% or \$55,000 for districts with 301-1,000 ADA

3% for districts with 1,001-30,000 ADA

2% for districts with 30,001-400,000 ADA

1% for districts with 400,001 and over ADA”

*[Reference link to Charter Budget Policy](https://bit.ly/RCSBudgetPolicy) or <https://bit.ly/RCSBudgetPolicy>

Next Steps & Discussion

1. Ongoing negotiations with labor partners
 - Will determine amount of new wage/benefit obligations required to sustain staffing in the Charter
2. Ongoing administrative consideration of RCP debt restructuring
3. 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
4. Second Interim Financial report, presented to Board on March 12, 2024 will include updated budget projections, including Fund Balance projections
5. 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
6. 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 [\(link\)](#)
2. Roseland Charter School 2022-23 last full year reporting of actual LCAP costs [\(link\)](#)

Attached to Board agenda as separate documents