

2022 - 2023 1st Interim Presentation

Board Presentation December 12, 2022

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What is the First Interim Report?

- One of two annual revenue and expenditure estimates for the current fiscal year and the two subsequent fiscal year
- Education Code Section 42130 requires school districts to file a 1st and 2nd Interim Financial Report annually
- These reports require districts to certify they can meet their financial obligations for the current fiscal year and two subsequent years
- The First Interim Report is due on or before December 15th and the Second Interim Report is due on or before March 15th

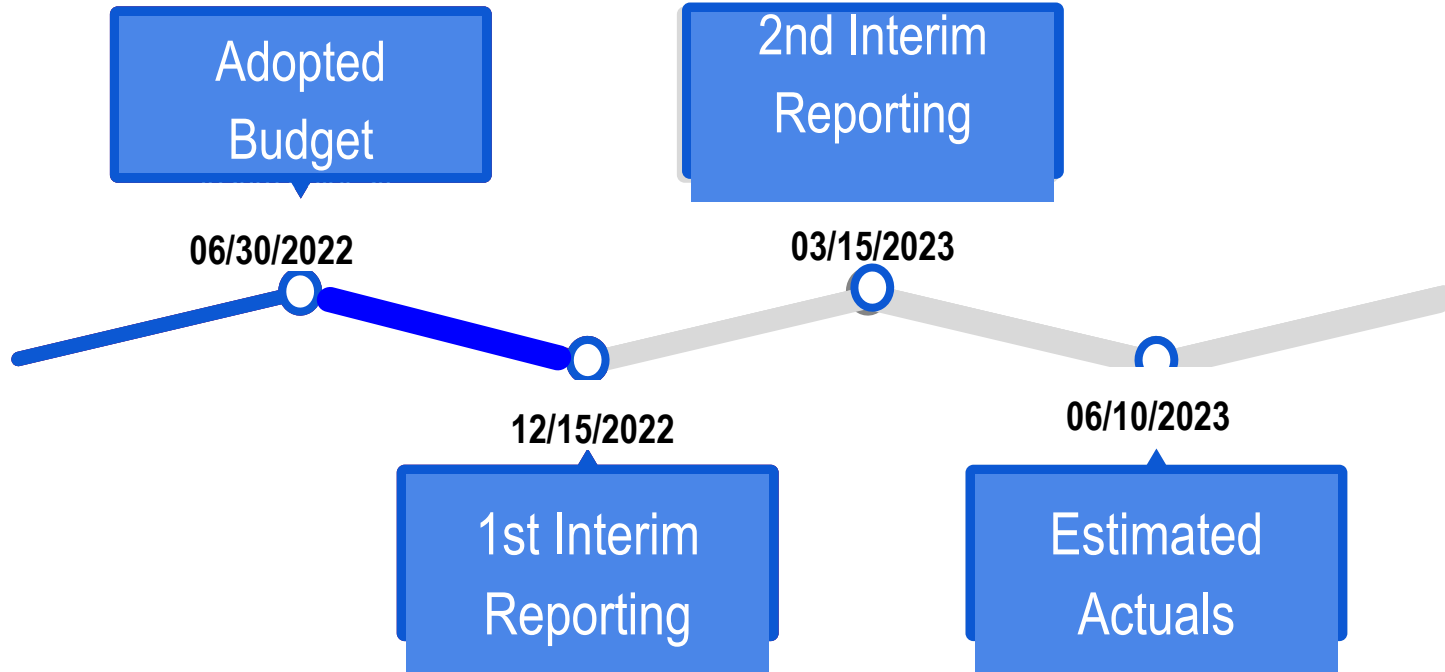
Certification indicates the District's ability to meet its financial obligations

- **Positive** - Based on current projections, the district *can meet* its financial obligations for the current fiscal year and two subsequent years
- **Qualified** - Based on current projections, the district *may not be able to meet* its financial obligations for the current fiscal year and two subsequent years
- **Negative** - Based on the current projections, the district *will not be able to meet* its financial obligations for the current fiscal year or for either two subsequent fiscal years

Based on current financial obligations, the Brea Olinda Unified School District will be able to meet its financial obligations and therefore be recommending the filing of a

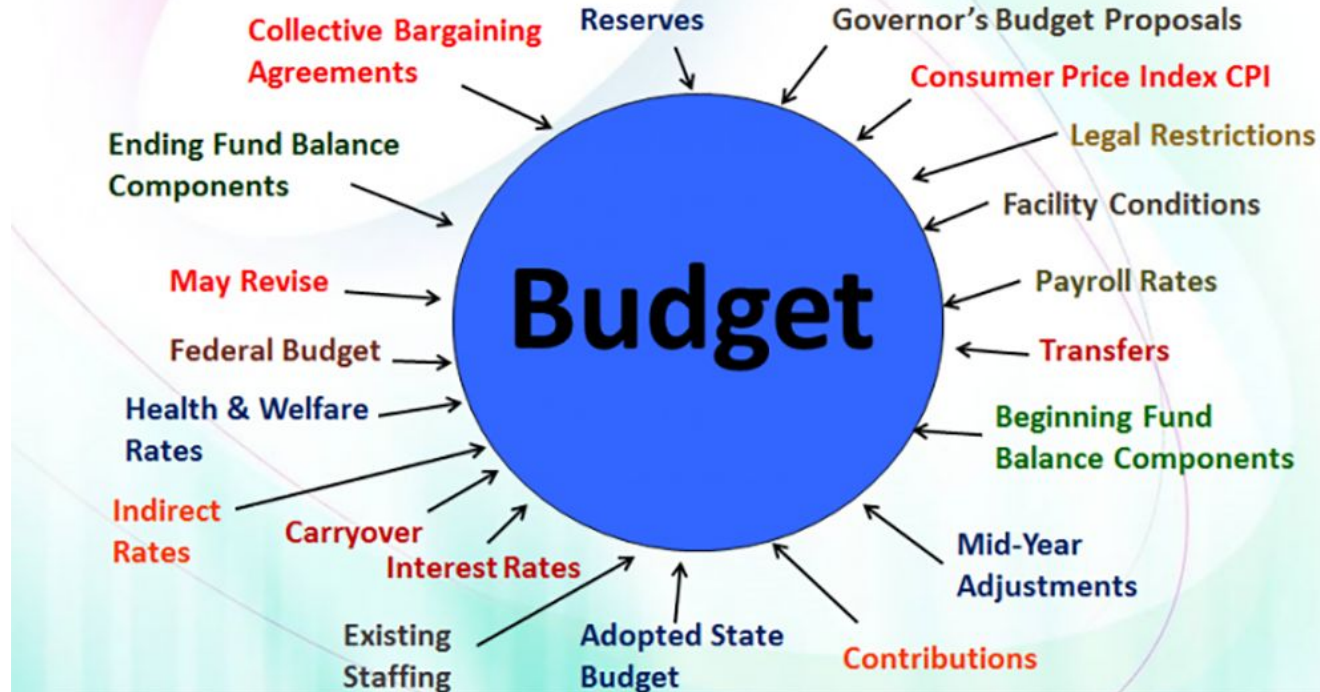
POSITIVE CERTIFICATION

District Budget Timeline



Budget Development Process

Beginning Balance + Revenues – Expenditures = Ending Balance



1st Interim Report - Significant Changes Since the Enacted Budget

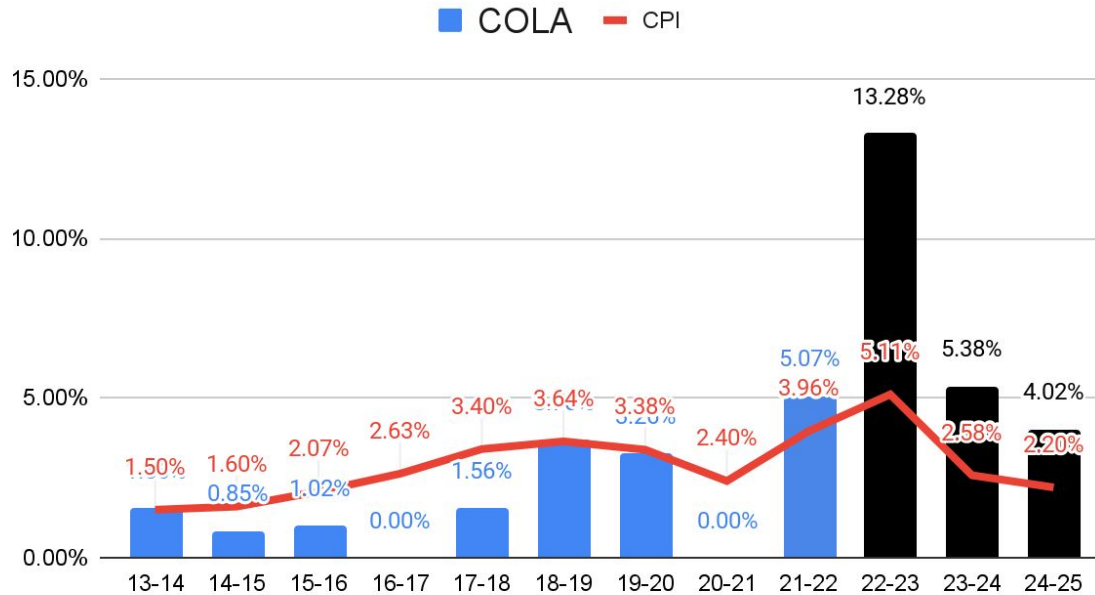
- **Statutory COLA** remains at 6.56% for the LCFF with investment in the base grant by 6.70% = 13.26%
- LCFF calculation amended to allow school districts to utilize **the greater of** current year, prior year, or the average of the most recent three prior years' ADA
- Transitional Kindergarten (**TK**) **add-on** to the LCFF of \$2,813 2022-23, adjusted annually by the COLA
- \$8 billion to establish the **Learning Recovery Emergency Block Grant** to be allocated to all LEAs based on unduplicated pupil counts
- \$3.6 billion to establish the **Arts, Music, and Instructional Materials Discretionary Block Grant** to be allocated to all LEAs on a per-pupil basis
- Full funding of \$4 billion for the **Expanded Learning Opportunities Program (ELOP)** with changes to calculation of funds, offering, and access requirements
- **Special education** base rate increase to \$820 per pupil
- **Home-to-school transportation funding** equal to 60% of expenditures reported in the prior year, excluding capital outlay and non-agency expenditures, reduced by the transportation add-on to the LCFF
- \$1.2 billion to implement **universal meals**, plus \$600 million for kitchen infrastructure grants

The “making” of the FY 2022-2023 COLA

Statutory COLA 2022-2023	6.56%
LCFF Investment (On-going)	6.28%
Additional AB-185	0.42%
Total	13.26%

Special Education COLA	6.56%
All other programs	6.56%

History of COLA Volatility & California CPI



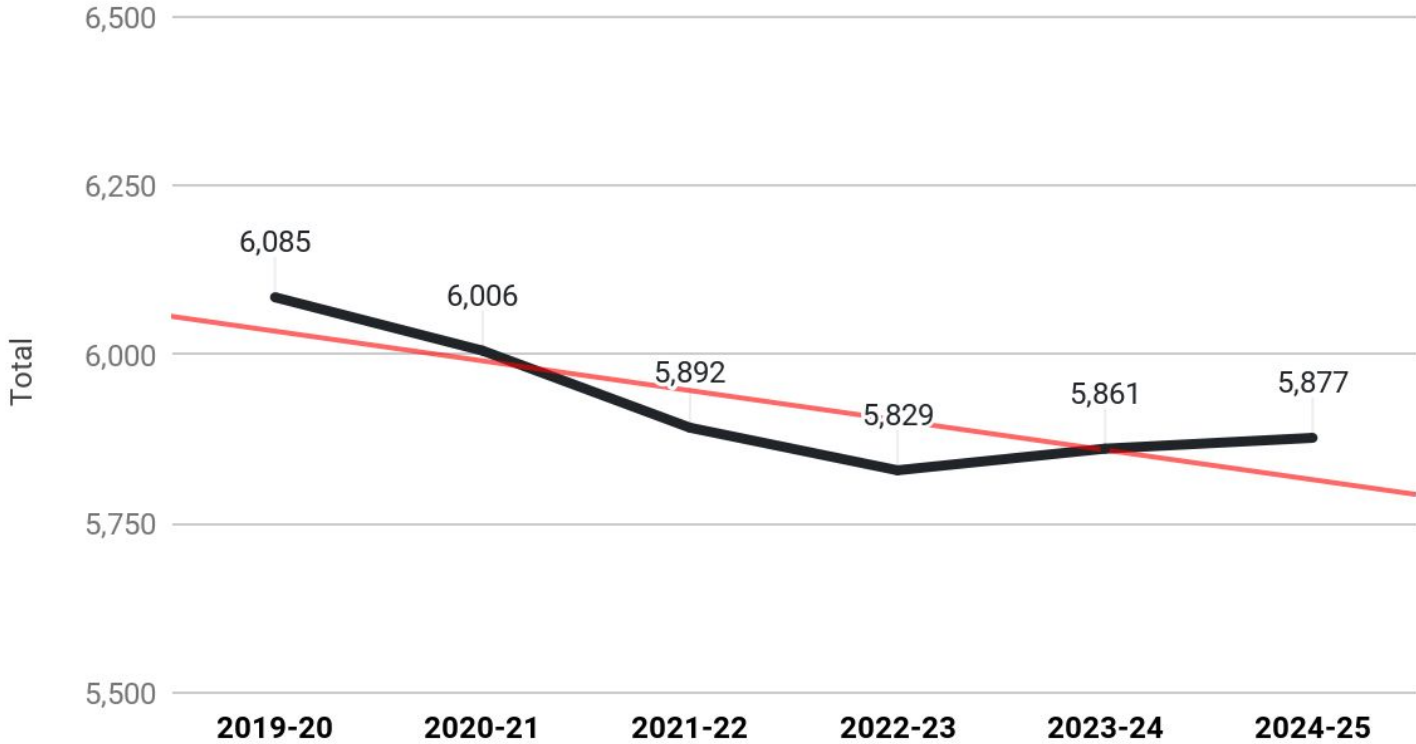
	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24
COLA	1.56%	0.85%	1.02%	0.00%	1.56%	3.70%	3.26%	0.00%	5.07%	13.28%	5.38%
CPI	1.50%	1.60%	2.07%	2.63%	3.40%	3.64%	3.38%	2.40%	3.96%	5.11%	2.58%

	Historical	Historical	1/31/2022	First interim	Estimated	Estimated
Grade	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
UTK				28	53	78
TK/K	562	482	470	448	450	450
1	482	492	430	422	450	450
2	462	463	470	451	422	450
3	440	456	445	465	451	422
4	458	442	456	448	465	451
5	434	451	434	447	448	465
6	469	437	462	426	447	448
Total TK-6	3,307	3,223	3,167	3,135	3,186	3,214
7	488	449	442	461	426	447
8	477	485	440	442	461	426
Total 7-8	965	934	882	903	887	873
9	451	457	466	427	442	461
10	469	467	447	460	427	442
11	443	463	456	459	460	427
12	450	462	474	445	459	460
Total 9-12	1,813	1,849	1,843	1,791	1,788	1,790
Total	6,085	6,006	5,892	5,829	5,861	5,877

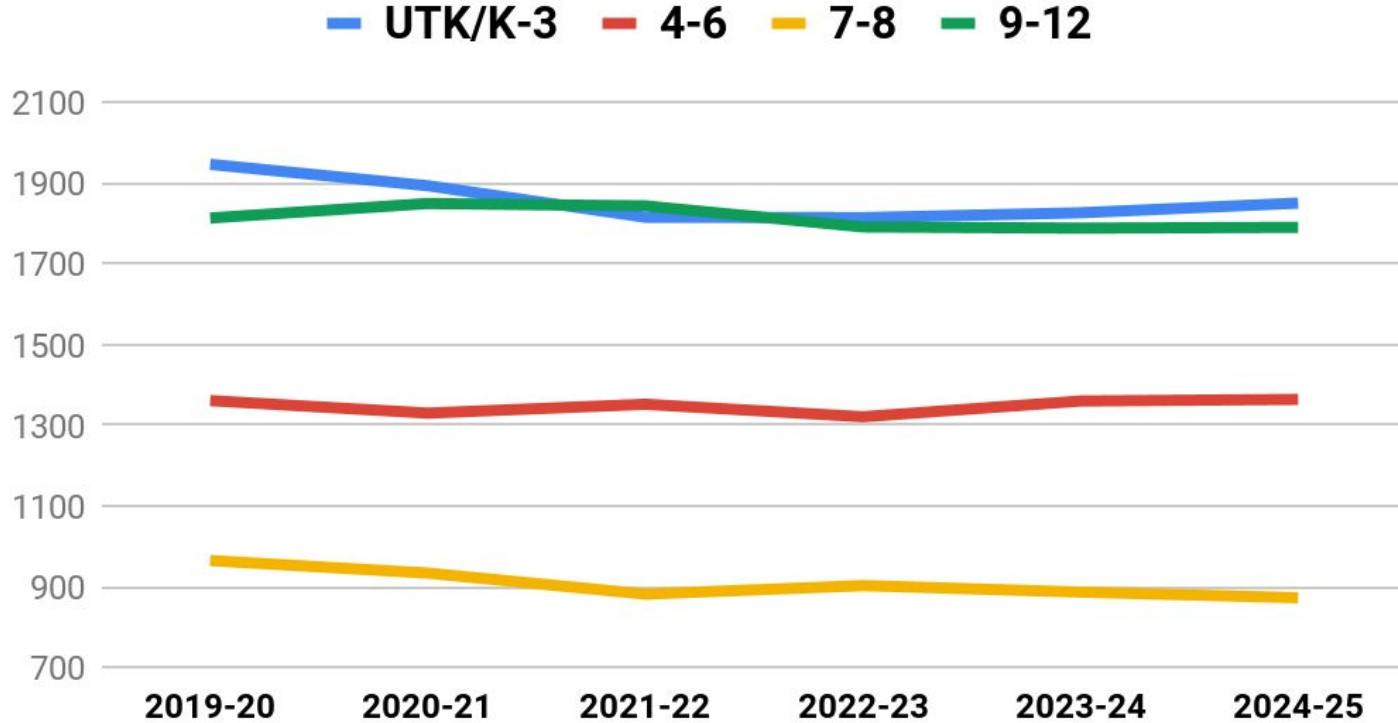
Enrollment Projections

Grade	Budget (May 2022)	Census Day (Oct 2022)	Variance
UTK	25	28	3
TK/K	410	448	38
1	414	422	8
2	450	451	1
3	470	465	-5
4	456	448	-8
5	452	447	-5
6	437	426	-11
7	466	461	-5
8	445	442	-3
9	445	427	-18
10	474	460	-14
11	449	459	10
12	461	445	-16
Total	5,854	5,829	-25

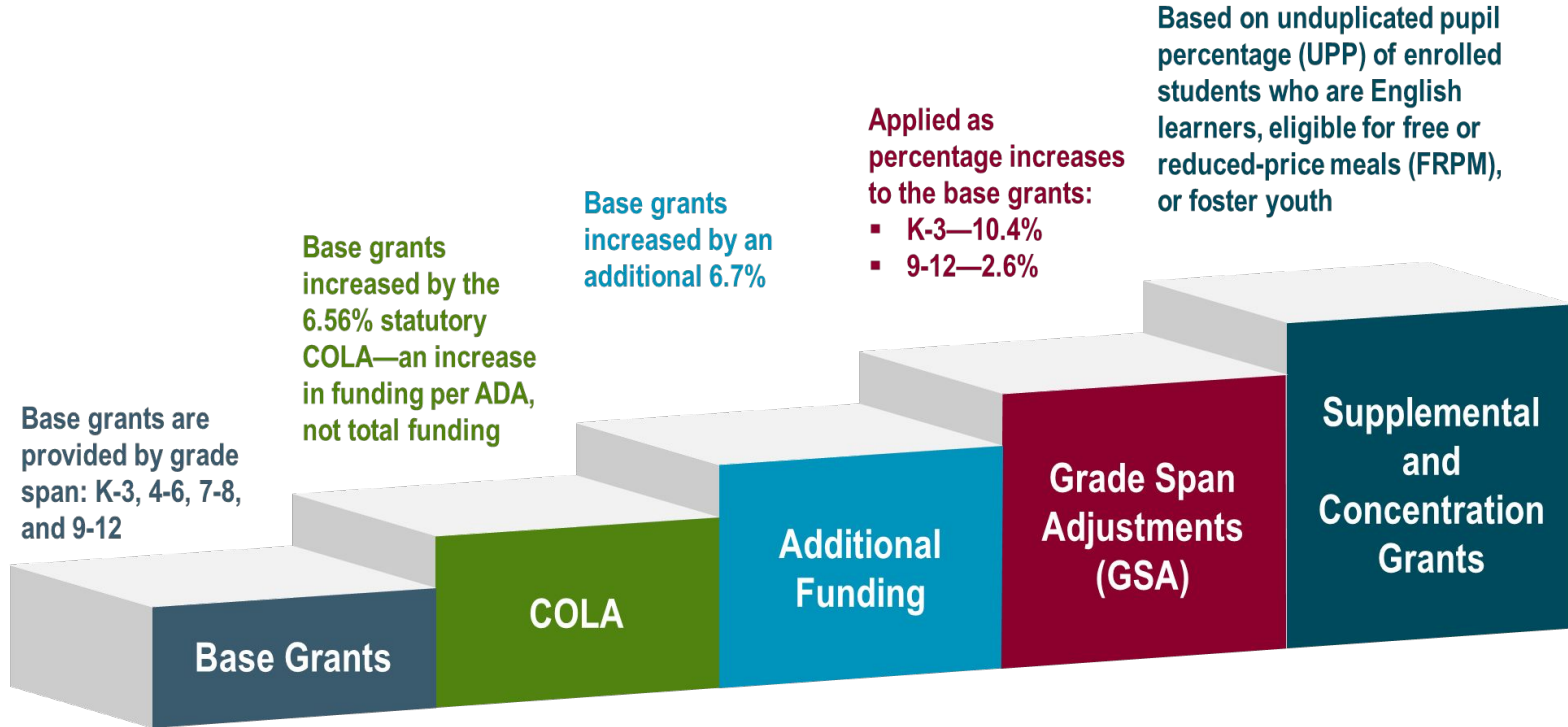
Enrollment Trends - District



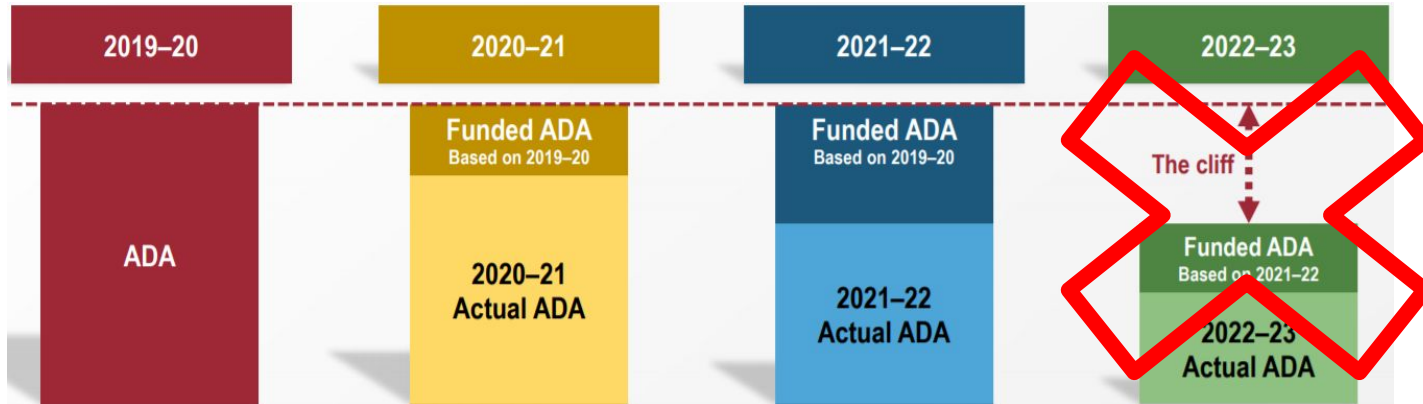
Enrollment Trends - By Grade Span (Budget)



LCFF Funding Factors



ADA & Funding



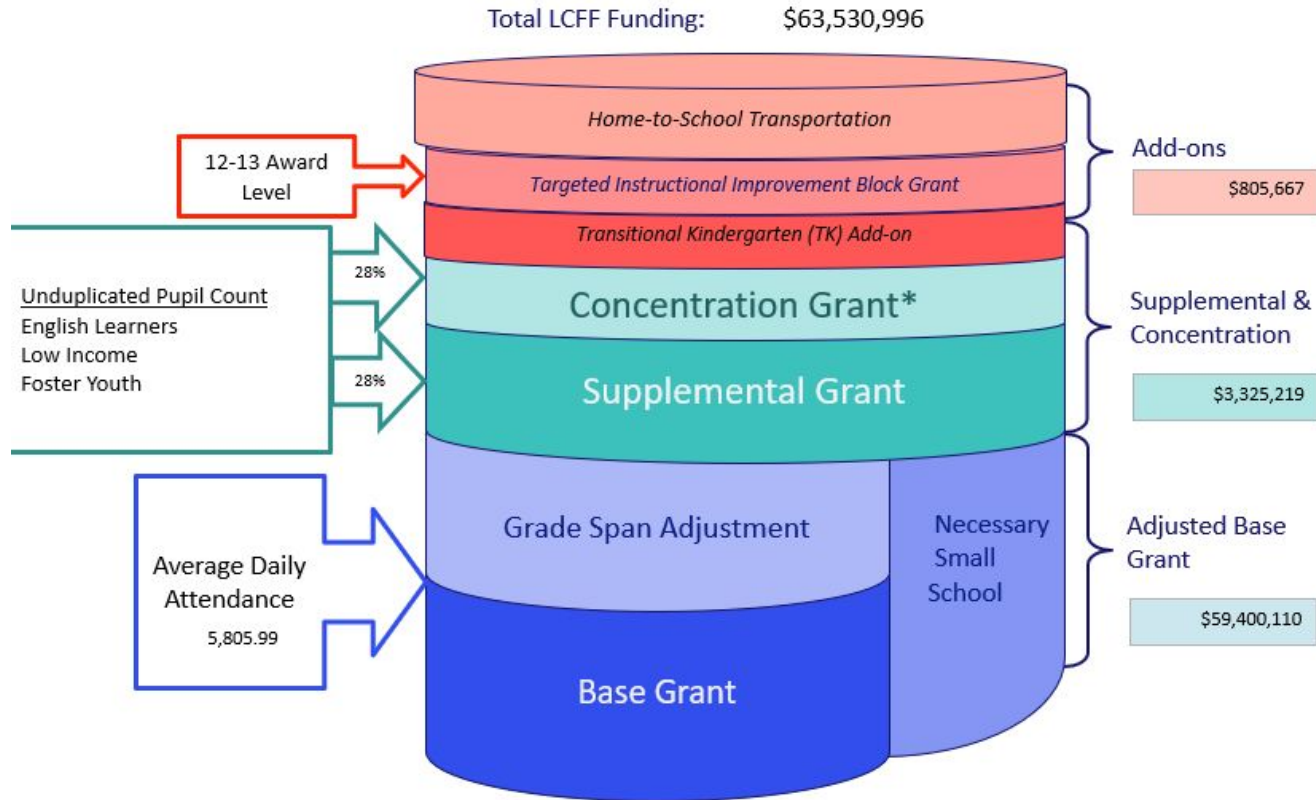
Ongoing change to ADA used for school district LCFF funding calculation LCFF funding is based on greater of:

- Current-year ADA or
- Prior-year ADA or
- Computed average ADA using the three most recent prior years' ADA

Enrollment/ADA & Funding

	2022-23	2023-24	2024-25
Enrollment	5,829.00	5,861.00	5,877.00
Current Year ADA (96%)	5,595.84	5,626.56	5,641.92
Prior Year ADA	5,661.37	5,595.84	5,626.56
3-Prior Yr Average	5,783.69	5,700.68	5,627.92
Single Year UPP	23.6%	23.0%	22.5%
Rolling % for UPP	28.0%	25.3%	23.1%

Components of our LCFF Entitlement



Learning Recovery Emergency Block Grant



Deadline

Funds may be used through 2027-28 school year

Reporting

- Must report interim expenditures to CDE by December 1, 2024, and December 1, 2027
- Must submit a final report on expenditures by December 1, 2029

Arts, Music, and Instructional Materials Discretionary Block Grant

Allowable Uses

Instructional materials and professional development aligned to best practices for improving school climate, digital literacy, physical education, and learning through play

Plan

Governing board must discuss and approve plan for expenditure of funds at regularly scheduled public meeting

Operational costs



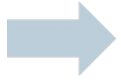
Standards-aligned professional development and instructional materials

Diverse book collections and culturally relevant texts in English, pupils' home languages, or combination of languages

COVID-19 pandemic-related supplies

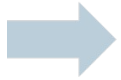
Deadline
Encumber through the 2025-26

Expanded Learning Opportunities Program Funding

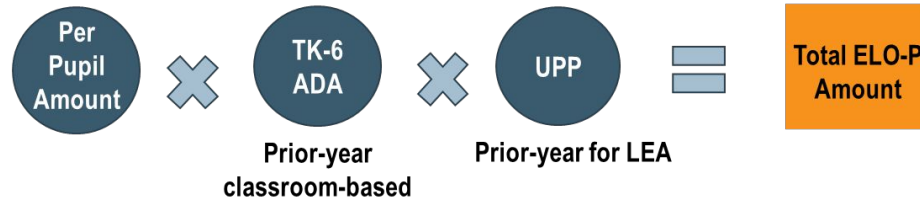


Enacted Budget increases ongoing state funding for Expanded Learning Opportunities Program (ELO-P) to \$4 billion

- Demonstrates state commitment to comprehensive before, after, and summer school opportunities for students at school districts and charter schools
- Sets aside \$5 million for COE technical assistance

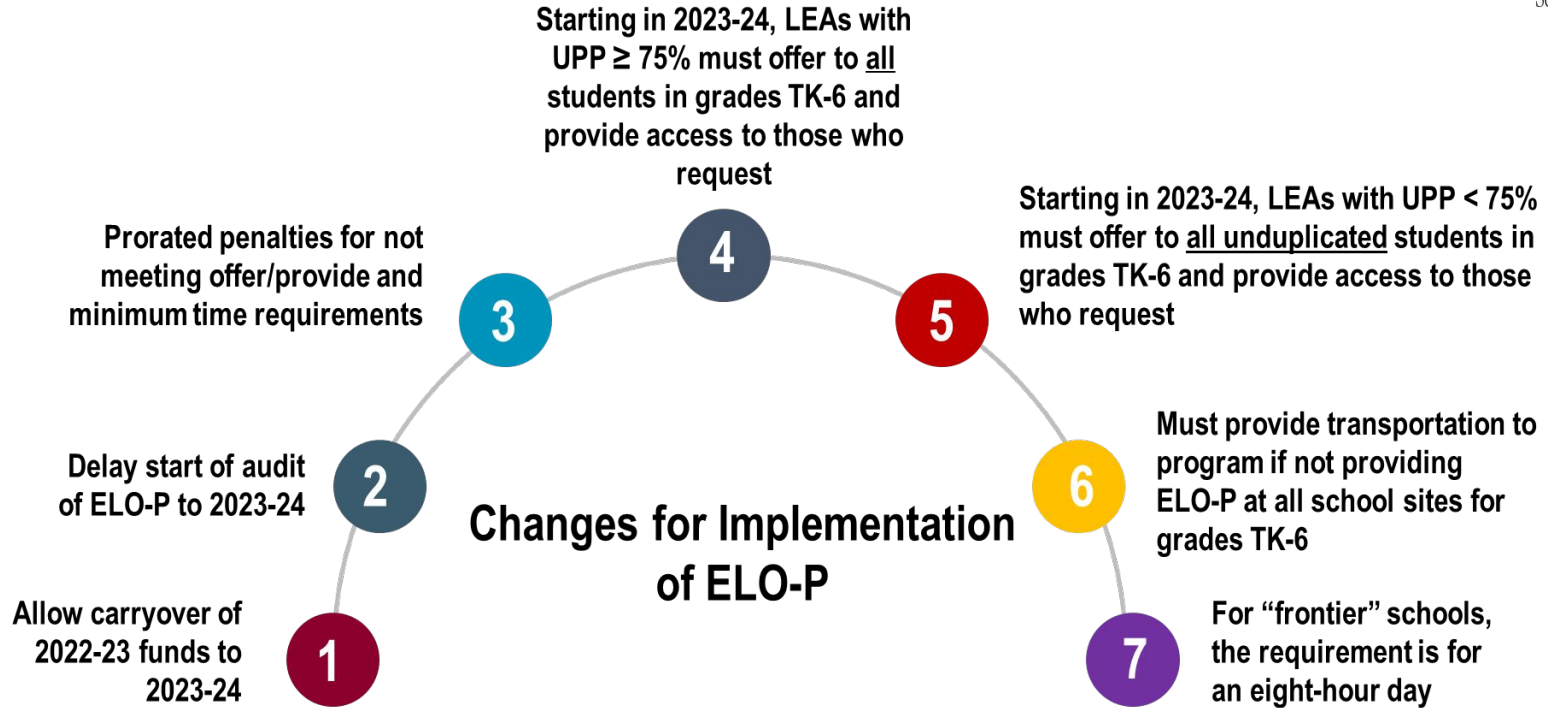


Same formula for distribution of funds



	2021-22 Law	Governor's Budget Proposal	May Revision Proposal	Legislative Budget Proposal	Enacted Budget
Total State Funding Level	\$1 billion ongoing plus \$754 million one-time	\$4.4 billion ongoing	\$4.8 billion ongoing	\$4.4 billion ongoing	\$4.0 billion ongoing
Per Pupil Amount	UPP ≥ 80%: \$1,170 UPP < 80%: \$672	UPP ≥ 75%: \$2,500 UPP < 75%: \$2,027	UPP ≥ 75%: \$2,500 UPP < 75%: \$2,500	UPP ≥ 75%: \$3,000 UPP < 75%: \$1,500	UPP ≥ 75%: \$2,750 UPP < 75%: \$1,250 ¹

Expanded Learning Opportunities Program Funding



Universal Transitional Kindergarten



2022-23

Offer TK to four-year-olds whose fifth birthday occurs between September 2 and February 2; inclusive



2023-24

Offer TK to four-year-olds whose fifth birthday occurs between September 2 and April 2; inclusive



2024-25

Offer TK to four-year-olds whose fifth birthday occurs between September 2 and June 2; inclusive



2025-26

Offer TK to four-year-olds whose fourth birthday occurs by September 1; inclusive

\$12,895

TK Ratio
Add-On—\$2,813

K-3 Grade Span
Adjustment

LCFF
TK Base Grant*

Home to School Transportation

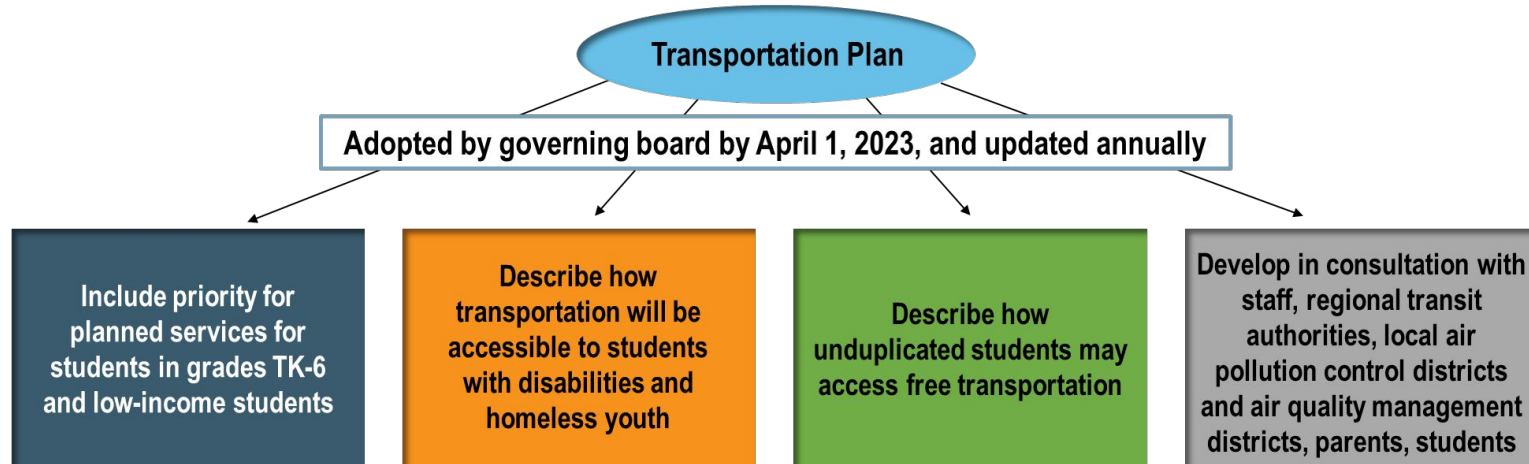
- Funding for Home-to-School Transportation increased by \$637 million ongoing
- Starting in 2022-23, school districts and county offices of education will receive the greater of:

Transportation add-on, plus annual COLA

OR

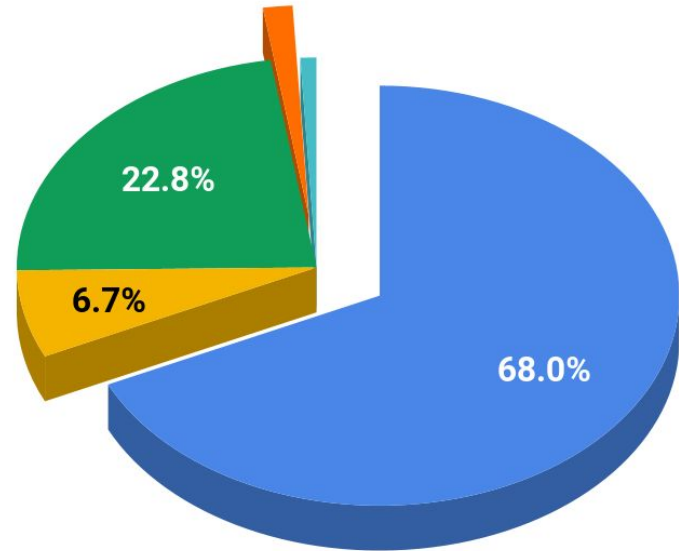
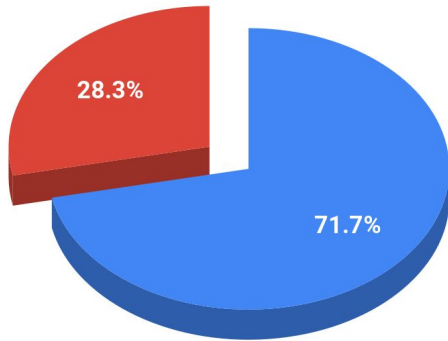
60% of reported transportation costs

- Subject to audit
- May charge fees for transportation but must waive fees for unduplicated students



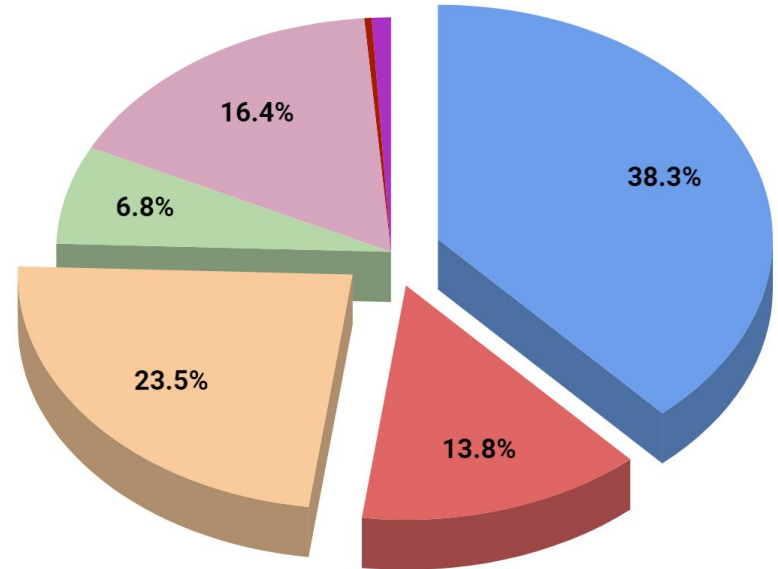
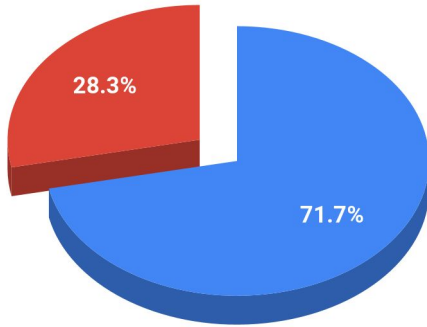
Combined General Fund Revenues First Interim Fiscal Year 2022-23

- LCFF Sources \$63,530,996
- Federal Revenue \$6,290,421
- Other State Revenue \$21,261,691
- Lottery Revenue \$1,486,168
- Other Local Revenue \$799,097



Combined General Fund Expenditures First Interim Fiscal Year 2022-23

- Certificated Salaries \$34,051,710
- Classified Salaries \$12,257,859
- Benefits \$20,843,596
- BooksSupplies \$6,019,900
- Services \$14,575,736
- Capital Outlay \$315,007
- Other Outgo \$819,470



MYP

	1st Interim	Projected	Projected
	2022-23	2023-24	2024-25
LCFF	\$63,530,996	\$65,764,256	\$67,496,303
Federal	\$6,209,421	\$2,419,868	\$2,280,991
Other State	\$22,747,859	\$13,523,718	\$13,450,990
Local Revenue	\$799,097	\$772,374	\$759,394
Transfers In	\$0	\$0	\$0
Total Revenues	\$93,287,373	\$82,480,216	\$83,987,678
Certificated Salaries	\$34,051,710	\$32,819,665	\$33,335,244
Classified Salaries	\$12,257,859	\$12,037,003	\$12,277,743
Employee Benefits	\$20,843,596	\$20,211,739	\$20,304,740
Books and Supplies	\$6,019,900	\$3,794,884	\$3,487,036
Services and Operating	\$14,575,736	\$12,999,445	\$12,638,990
Capital Outlay	\$315,007	\$285,554	\$285,554
Other Outgo	\$819,470	\$529,743	\$529,743
Transfers Out	-\$99,303	-\$228,662	-\$228,662
Total Expenditures	\$88,783,975	\$82,449,371	\$82,630,388
Increase/Decrease in Fund Balance	\$4,503,398	\$30,845	\$1,357,290

MYP - Ending Fund Balance

Revenue	\$93,287,373	\$82,480,216	\$83,987,678
Expenditures	\$88,783,975	\$82,449,371	\$82,630,388
Increase/Decrease in Fund Balance	\$4,503,398	\$30,845	\$1,357,290
Ending Fund Balance	\$30,634,199	\$30,561,976	\$31,849,280
Non Spendable	\$25,000	\$25,000	\$25,000
Restricted	\$10,330,084	\$9,586,466	\$9,314,380
Committed	\$9,195,000	\$10,545,000	\$12,205,000
Assigned	\$2,202,775	\$2,165,076	\$2,127,377
3% Economic Uncertainties	\$2,663,520	\$2,473,482	\$2,478,912
Unappropriated	\$6,217,820	\$5,766,952	\$5,698,611
% Reserve (EU/Unassigned)	10%	10%	10%

Prop 28: Guarantee Funding for Arts and Music Education * Not in MYP

- Passed with more than **64% of the vote**
- Requires the state to **ADD** an amount equal to **1% of Prop 98 funding**: Estimated \$1.0B
 - **Can be less** if the state provides less funding than the constitutional funding
 - Not raised taxes, therefore money will have to **come from non-Prop 98 GF**
- Beginning **next year 2023-24**
- Distribution funding based on a formula: (Similar to the LCFF formula)
 - **70%** based on share of statewide enrollment
 - **30%** based on share of low-income statewide enrollment
- **Requires** funding be used to preliminary hire new arts staff
 - **At least 80% of additional staff**: Remaining funds for training, supplies & materials
 - LEAS can recap **1% for indirect costs**
- **Requires annual data reporting**
 - District boards **must certify each year** that the funding was spent properly
 - **Post** on website on funding **programs**, number of **staff employed**, number of **students served**, and the **number of sites served** with funding
 - Report **submitted** to the California Department of Education and posted on the CDE website

Next Steps

The Legislative Analyst's Office (LAO) assessment of the state budget conditions for upcoming years (including the conditions for schools under Proposition 98)

Slowing revenues, slowing economy, the impacts of inflation and interest rate increases estimates that the state will face a budget deficit of \$25 billion in the coming budget year, 2023–24. While the Legislature has access to roughly enough general purpose reserve funds to make up the difference in 2023–24, the LAO cautions that those funds should be kept back for use in a possible recession. They recommend that the Legislature plan the 2023–24 budget without general purpose reserve dollars and instead identify recent program augmentations that can be paused or delayed.

Impact on Proposition 98 lessened by reserve funds in 2023–24 LAO reports that the state can afford to maintain its existing programs in 2023–24 and provide a partial cost-of-living adjustment (COLA) of up to 8.38 percent.

- Statutory COLA is currently *estimated* to be 8.73 percent (not in MYP)

The LAO projects that over the next several years, a combination of growth in the Proposition 98 guarantee and required reserve withdrawals will cover the statutory COLA, but with very little breathing room and the possible cost of exhausting reserves in 2025–26. The **report provides several suggestions** to reduce ongoing expenditures to create a larger budget cushion, including **reductions** to the Expanded Learning Opportunities Program (ELOP), **reducing** the size of the COLA, and **shift** the Legislature's policy priorities through oversight rather than new investment in the coming budget year.

Not the same California as last downturns?

- State's rainy day fund—which is significantly larger than the current-year revenue shortfall
- Globalization of technology jobs—even companies that are California-based, like Apple, have a global workforce, meaning technology layoff effects are dispersed
- Property tax revenues—local governments are assured Proposition 13-permitted increases in property tax assessments since the Consumer Price Index is high
- Recovering logistics—the resolution of labor disputes affecting California ports specifically and railroad workers nationwide will bring imports back to the state
- Defense spending—with global conflict and uncertainty, defense spending in California is likely to increase in the near term
- School Districts are HIRING
 - www.edjoin.org - Search for Brea Olinda

Next Steps

- Continue to monitor the State Budget Development process
 - Governor's initial budget announcement: January 2023
- Continue to review new “categorical” funding grants and programs
- Focus on enrollment: Programs, Services, & People
 - Impact on services & staffing
- Impact on grant funded programs with 1-time grant monies
- Focus on new State mandates to come and their impact on BOUSD
- 2nd Interim report (01/31/2023) Presented March 2023
- Staff will continue to provide updates and engage with the Legislature and Gov. Gavin Newsom as they plan the 2023–24 budget in advance of the January release for the Governor's budget proposal.



Feedback