

2023 - 2024 2nd Interim Presentation

Board of Education Presentation
March 7, 2024

Rick Champion - Assistant Superintendent of Business Services
Donna Castelli - Director of Fiscal Services

Agenda

- The “WHY” for this presentation and action item
- What is Prop 98?
- The use of assumptions in projecting revenues & expenditures
- The 2nd Interim Report & Multi-Year Projections (MYP)
- Key programs
- The Road ahead: The state fiscal picture and the Deficit Update
- Next Steps

The “WHY”

The “WHY”

- 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 Second Interim Report is due on or before December 15 and the **Second Interim Report is due on or before March 15**

The “WHY”

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

What is Prop 98?

What is Prop 98?

Proposition 98 is the State of California's **constitutional mandate for minimum funding** for California school districts and community colleges

Approx 40% of the GF: Prop 98 continues operating under Test 1 in the current and budget year: **As the GF goes so goes school district funding**

Prop 98 Reserve (PSSSA) Constitutional formula for required deposits & withdrawals: Governor **must declare a budget emergency & Legislature bill** to w/d for budget emergencies

California's budget shortfall impacts the Prop. 98 guarantee for K-14 education, leading to a significant reduction in the minimum funding guarantee. The governor's January 2024 budget proposal highlights a **\$14.3 billion drop over the 2022-23 to 2024-25 budget window**. An updated estimate in February **further indicates a \$7.7 billion decrease** compared to the initial proposal (\$5.2 Billion-FY 2023-24 and \$2.5 Billion-FY 2024-25)

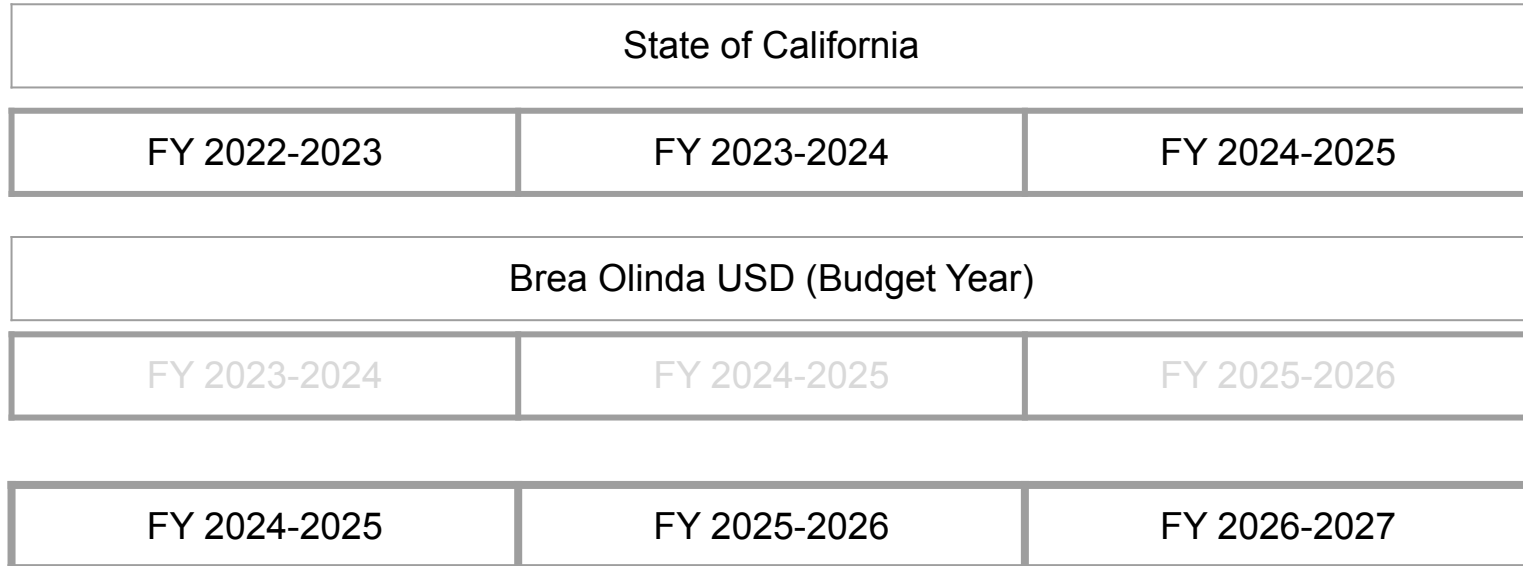
The “Budget” Window

Settle Up

State of California		
FY 2022-2023	FY 2023-2024	FY 2024-2025

Brea Olinda USD (2nd Interim)		
FY 2023-2024	FY 2024-2025	FY 2025-2026

The “Budget” Window



Use of Assumptions & Estimates

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM



Brea
Olinda
Unified
School District

SSC School District and Charter School Financial Projection Dartboard 2024-25 Governor's Budget

This version of the School Services of California Inc. (SSC) Financial Projection Dartboard is based on the 2024-25 Governor's Budget proposal. SSC has updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. SSC has also updated the Local Control Funding Formula (LCFF) factors. SSC relies on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF PLANNING FACTORS					
Factor	2023-24 ¹	2024-25	2025-26	2026-27	2027-28
Department of Finance Statutory COLA	8.22%	0.76%	2.73%	3.11%	3.17%

LCFF GRADE SPAN FACTORS FOR 2024-25				
Entitlement Factors per ADA*	TK-3	4-6	7-8	9-12
2023-24 Base Grants	\$9,919	\$10,069	\$10,367	\$12,015
Statutory COLA of 0.76%	\$75	\$77	\$79	\$91
2024-25 Base Grants	\$9,994	\$10,146	\$10,446	\$12,106
Grade Span Adjustment Factors	10.4%	-	-	2.6%
Grade Span Adjustment Amounts	\$1,039	-	-	\$315
2024-25 Adjusted Base Grants ²	\$11,033	\$10,146	\$10,446	\$12,421
Transitional Kindergarten (TK) Add-On ³	\$3,067	-	-	-

*Average daily attendance (ADA)

OTHER PLANNING FACTORS						
Factors	2023-24	2024-25	2025-26	2026-27	2027-28	
California CPI	3.36%	2.83%	2.70%	2.72%	2.72%	
California Lottery	Unrestricted per ADA	\$177	\$177	\$177	\$177	\$177
	Restricted per ADA	\$72	\$72	\$72	\$72	\$72
Mandate Block Grant (District) ⁴	Grades K-8 per ADA	\$37.81	\$38.10	\$39.14	\$40.36	\$41.64
	Grades 9-12 per ADA	\$72.84	\$73.39	\$75.39	\$77.73	\$80.19
Mandate Block Grant (Charter) ⁴	Grades K-8 per ADA	\$19.85	\$20.00	\$20.55	\$21.19	\$21.86
	Grades 9-12 per ADA	\$55.17	\$55.59	\$57.11	\$58.89	\$60.76
Interest Rate for Ten-Year Treasuries	4.16%	3.68%	3.50%	3.60%	3.60%	
CalSTRS Employer Rate ⁵	19.10%	19.10%	19.10%	19.10%	19.10%	
CalPERS Employer Rate ⁵	26.68%	27.80%	28.50%	28.90%	30.30%	
Unemployment Insurance Rate ⁶	0.05%	0.05%	0.05%	0.05%	0.05%	
Minimum Wage ⁷	\$16.00	\$16.50	\$16.90	\$17.30	\$17.70	

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 6% or \$80,000	0 to 200

COST OF LIVING ADJUSTMENT (COLA)

The Governor's Budget provides a 0.76% COLA for all programs:

- Special Education
- Child Nutrition
- State Preschool
- Mandates Block Grant

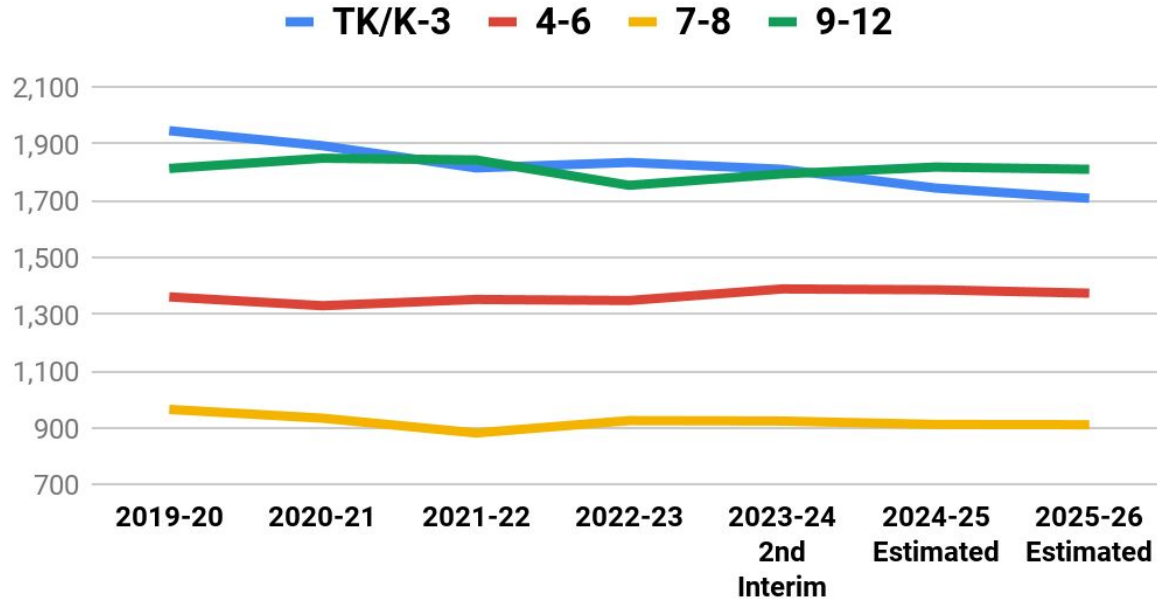
	2023-24	2024-25	2025-26	2026-27
COLA @ 1st Interim	8.22%	3.94%	3.29%	3.19%
COLA @ 2nd Interim	8.22%	0.76%	2.73%	3.11%
COLA Change	-	-3.18%	-0.56%	-0.08%

Enrollment Trends for the District

Grade Span	2019-20	2020-21	2021-22	2022-23	2023-24 2nd Interim	2024-25 Estimated	2025-26 Estimated
TK/K-3	1,946	1,893	1,815	1,834	1,810	1,744	1,708
4-6	1,361	1,330	1,352	1,348	1,389	1,386	1,374
7-8	965	934	882	926	924	912	911
9-12	1,813	1,849	1,843	1,754	1,794	1,818	1,810
Total	6,085	6,006	5,892	5862	5,917	5,860	5,803

Enrollment Trends for the District

Enrollment Trends - By Grade Span (Budget)



2nd Interim Report & Multi-Year Projections (MYP)

MYP

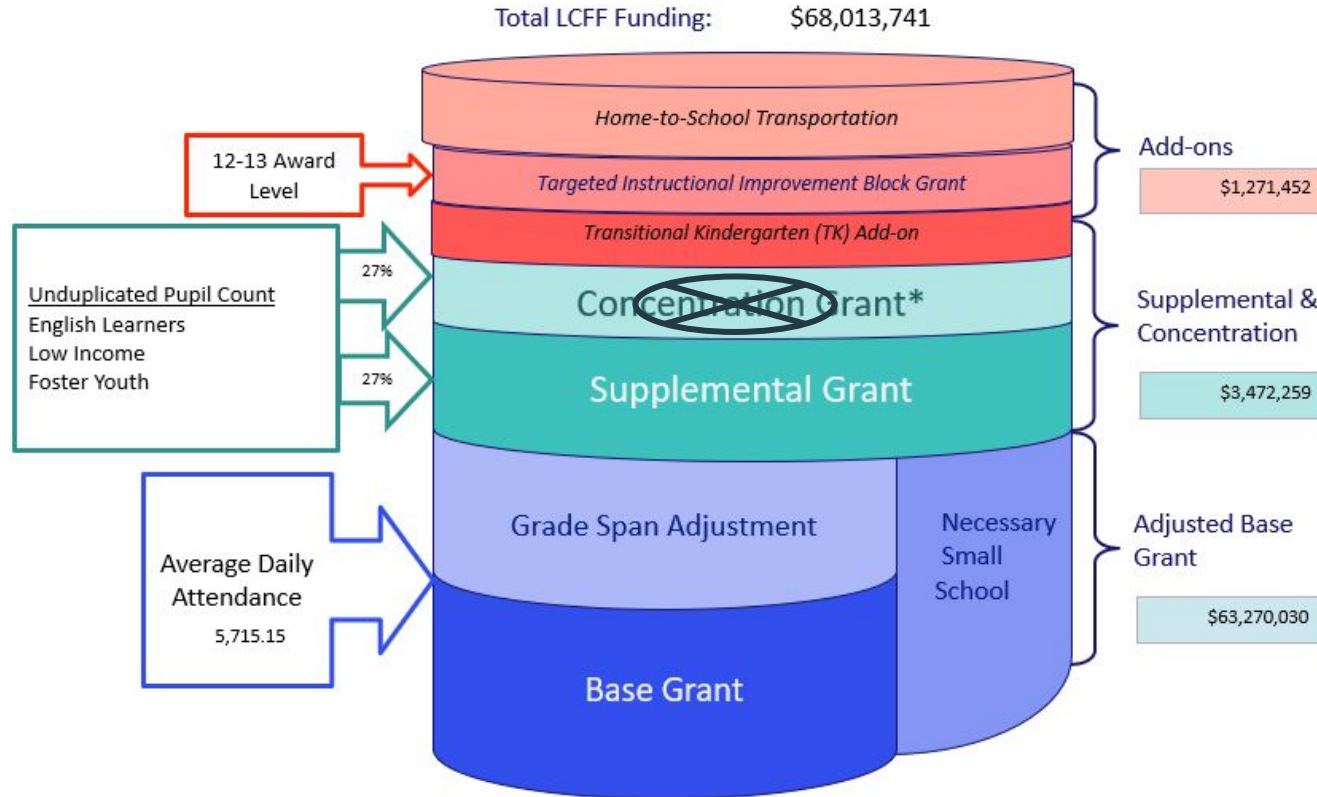
Multi Year
projections
(MYPs) are
required by
Assembly Bill
(AB) 1200 and
AB 2756

Projections,
anchored in
reliable
information as of
the date of the
projection—
They are NOT
forecasts

Will change any
time the
underlying
factors change

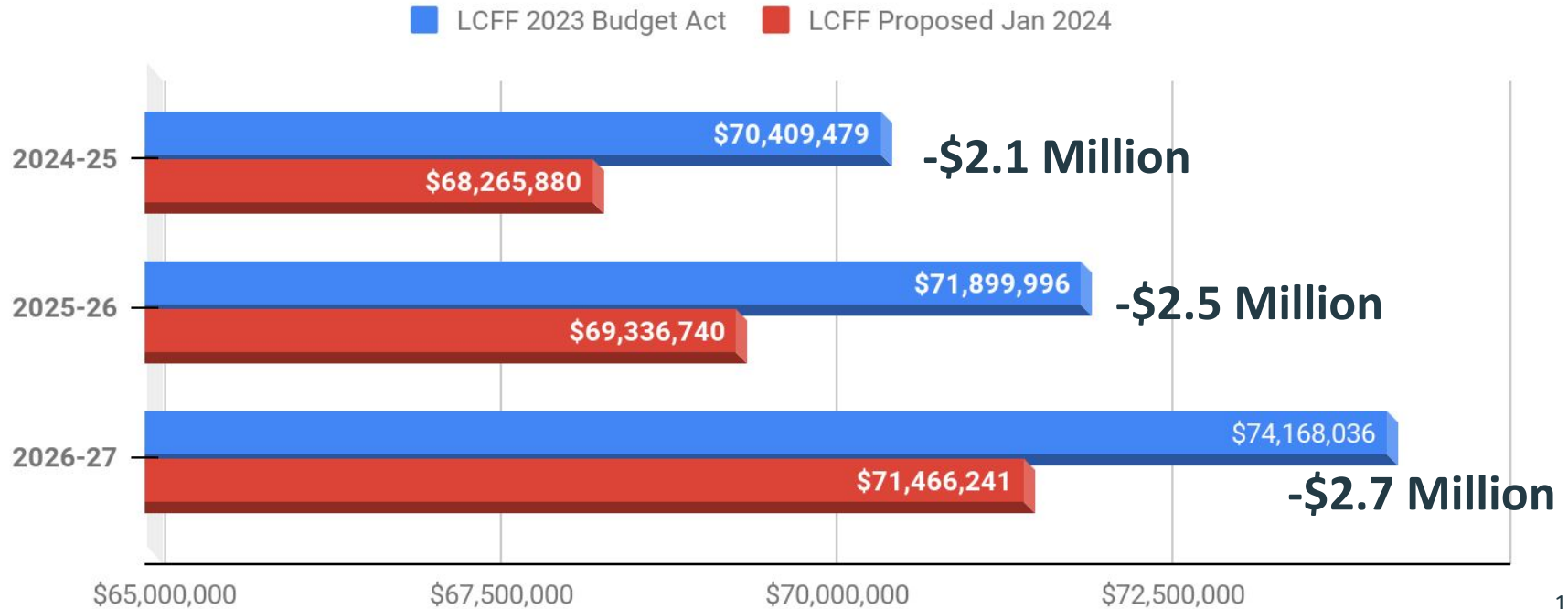


Components of our LCFF Entitlement



Effects on our projected LCFF Entitlement

Impact to BOUSD projected revenues = Funding Issues



General Fund Revenues: 2nd Interim FY 2023-24 Combined

Brea-Olinda Unified
30-66449-0000000

Multiyear Projection Working Copy 2nd Interim 2023-2024 Combined

Description (Object Range) [Sum Detail]	2023-24 Base Year	2024-25 Year 2	2025-26 Year 3
A. REVENUES & OTHER FINANCING SOURCES [Sum Lines A1-A5c]	\$94,242,292.25	\$91,404,976.36	\$93,183,331.63
1. LCFF/Revenue Limit Sources (8010-8099)	68,004,365.00	68,265,879.87	69,336,739.95
2. Federal Revenues (8100-8299)	2,983,134.00	2,971,494.00	2,971,494.00
3. Other State Revenues (8300-8599)	17,812,887.00	15,599,599.16	16,189,413.37
4. Other Local Revenues (8600-8799)	5,441,906.25	4,568,003.33	4,685,684.31
5. Other Financing Sources			
a. Transfers In (8900-8929)	0.00	0.00	0.00
b. Other Sources (8930-8979)	0.00	0.00	0.00
c. Contributions (8980-8999)	0.00	0.00	0.00

General Fund Revenues: 2nd Interim FY 2023-24

Unrestricted

Brea-Olinda Unified
30-66449-0000000

Multiyear Projection
Working Copy 2nd Interim 2023-2024
Resource 0000 Unrestricted

Description (Object Range) [Sum Detail]	2023-24 Base Year	2024-25 Year 2	2025-26 Year 3
A. REVENUES & OTHER FINANCING SOURCES [Sum Lines A1-A5c]	\$53,766,873.02	\$53,314,371.75	\$54,292,276.17
1. LCFF/Revenue Limit Sources (8010-8099)	66,858,656.00	67,120,170.87	68,202,031.95
2. Federal Revenues (8100-8299)	0.00	0.00	0.00
3. Other State Revenues (8300-8599)	1,843,343.00	2,421,123.23	2,804,028.29
4. Other Local Revenues (8600-8799)	2,395,887.95	1,325,131.03	1,314,146.01
5. Other Financing Sources			
a. Transfers In (8900-8929)	0.00	0.00	0.00
b. Other Sources (8930-8979)	0.00	0.00	0.00
c. Contributions (8980-8999)	(17,331,013.93)	(17,552,053.38)	(18,027,930.08)

General Fund Revenues: 2nd Interim FY 2023-24

Restricted

Description (Object Range) [Sum Detail]	Multiyear Projection		
	2023-24 Base Year	2024-25 Year 2	2025-26 Year 3
Brea-Olinda Unified 30-66449-0000000	Working Copy 2nd Interim 2023-2024 Restricted		
A. REVENUES & OTHER FINANCING SOURCES [Sum Lines A1-A5c]	\$38,272,380.23	\$35,844,563.23	\$36,632,606.43
1. LCFF/Revenue Limit Sources (8010-8099)	0.00	0.00	0.00
2. Federal Revenues (8100-8299)	2,983,134.00	2,971,494.00	2,971,494.00
3. Other State Revenues (8300-8599)	14,912,214.00	12,131,152.50	12,348,246.87
4. Other Local Revenues (8600-8799)	3,046,018.30	3,242,872.30	3,371,538.30
5. Other Financing Sources			
a. Transfers In (8900-8929)	0.00	0.00	0.00
b. Other Sources (8930-8979)	0.00	0.00	0.00
c. Contributions (8980-8999)	17,331,013.93	17,499,044.43	17,941,327.26

General Fund Expenditures: 2nd Interim FY 2023-24 Combined

B. EXPENDITURES & OTHER FINANCING USES [Sum Lines B1-B10]	<u>\$106,197,740.58</u>	<u>\$101,224,816.86</u>	<u>\$100,930,109.69</u>
1. Certificated Salaries (1000-1999)	36,482,692.26	37,466,495.72	36,891,469.30
2. Classified Salaries (2000-2999)	11,757,955.61	12,483,087.72	12,249,475.27
3. Employee Benefits (3000-3999)	21,218,332.82	22,864,833.27	22,824,110.57
4. Books and Supplies (4000-4999)	6,214,695.59	4,296,190.83	4,196,076.40
5. Services and Other Operating Expenditures (5000-5999)	20,384,738.68	19,937,622.62	20,463,725.45
6. Capital Outlay (6000-6999)	1,543,595.72	646,970.40	646,970.40
7. Other Outgo (excluding Transfers of Indirect Costs) (7100-7299,7400-7499)	293,084.00	293,084.00	293,084.00
8. Other Outgo - Transfers of Indirect Costs (7300-7399)	(8,287.00)	(8,287.00)	(8,287.00)
9. Other Financing Uses			
a. Transfers Out (7600-7629)	8,310,932.90	3,244,819.30	3,373,485.30
b. Other Uses (7630-7699)	0.00	0.00	0.00
10. Other Adjustments (described in assumptions)	0.00	0.00	0.00
C. NET INCREASE (DECREASE) IN FUND BALANCE	(11,955,448.33)	(9,819,840.50)	(7,746,778.06)

General Fund Expenditures: 2nd Interim FY 2023-24

Unrestricted

B. EXPENDITURES & OTHER FINANCING USES [Sum Lines B1-B10]	\$58,495,145.06	\$62,541,333.64	\$63,765,221.01
1. Certificated Salaries (1000-1999)	27,125,501.40	28,675,223.13	29,105,351.48
2. Classified Salaries (2000-2999)	7,795,932.86	8,466,034.32	8,593,024.83
3. Employee Benefits (3000-3999)	12,879,214.32	14,581,200.07	15,027,008.68
4. Books and Supplies (4000-4999)	2,000,416.66	2,208,326.13	2,266,625.94
5. Services and Other Operating Expenditures (5000-5999)	8,472,486.18	8,577,181.69	8,731,038.80
6. Capital Outlay (6000-6999)	416,525.72	224,733.40	224,733.40
7. Other Outgo (excluding Transfers of Indirect Costs) (7100-7299,7400-7499)	51,198.00	51,198.00	51,198.00
8. Other Outgo - Transfers of Indirect Costs (7300-7399)	(248,077.08)	(244,510.10)	(235,707.12)
9. Other Financing Uses			
a. Transfers Out (7600-7629)	1,947.00	1,947.00	1,947.00
b. Other Uses (7630-7699)	0.00	0.00	0.00
10. Other Adjustments (described in assumptions)	0.00	0.00	0.00
C. NET INCREASE (DECREASE) IN FUND BALANCE	(2,525,233.04)	(6,980,920.51)	(7,214,495.81)

General Fund Expenditures: 2nd Interim FY 2023-24

Restricted

B. EXPENDITURES & OTHER FINANCING USES [Sum Lines B1-B10]	<u>\$47,702,595.52</u>	<u>\$38,683,483.22</u>	<u>\$37,164,888.68</u>
1. Certificated Salaries (1000-1999)	9,357,190.86	8,791,272.59	7,786,117.82
2. Classified Salaries (2000-2999)	3,962,022.75	4,017,053.40	3,656,450.44
3. Employee Benefits (3000-3999)	8,339,118.50	8,283,633.20	7,797,101.89
4. Books and Supplies (4000-4999)	4,214,278.93	2,087,864.70	1,929,450.46
5. Services and Other Operating Expenditures (5000-5999)	11,912,252.50	11,360,440.93	11,732,686.65
6. Capital Outlay (6000-6999)	1,127,070.00	422,237.00	422,237.00
7. Other Outgo (excluding Transfers of Indirect Costs) (7100-7299,7400-7499)	241,886.00	241,886.00	241,886.00
8. Other Outgo - Transfers of Indirect Costs (7300-7399)	239,790.08	236,223.10	227,420.12
9. Other Financing Uses			
a. Transfers Out (7600-7629)	8,308,985.90	3,242,872.30	3,371,538.30
b. Other Uses (7630-7699)	0.00	0.00	0.00
10. Other Adjustments (described in assumptions)	0.00	0.00	0.00
C. NET INCREASE (DECREASE) IN FUND BALANCE	(9,430,215.29)	(2,838,919.99)	(532,282.25)

Ending Fund Balance

D. FUND BALANCE

1. Beginning Fund Balance (9791-9795)	36,708,785.96	24,753,337.63	14,933,497.13
2. Ending Fund Balance [Sum lines D2a-D2e2]	<u>\$24,753,337.63</u>	<u>\$14,933,497.13</u>	<u>\$7,186,719.07</u>
a. Nonspendable (9710-9719)	25,000.00	25,000.00	25,000.00
b. Restricted (9740)	5,511,004.61	2,672,084.62	2,139,802.37
c. Committed			
1. Stabilization Arrangements (9750)	0.00	0.00	0.00
2. Other Commitments (9760)	8,600,000.00	2,110,000.00	0.00
Board Resoution	8,600,000.00	2,110,000.00	0.00
d. Assigned			
1. Other Assignments (9780)	0.00	0.00	0.00
e. Unassigned/Unappropriated			
1. Reserve for Economic Uncertainties (9789)	3,185,933.00	3,027,905.00	3,028,413.00
2. Unassigned/Unappropriated (9790)	7,431,400.02	7,098,507.51	1,993,503.70

Key programs

Expanded Learning Opportunities Program Funding

- There are no cuts, nor a COLA, proposed to the Expanded Learning Opportunities Program (ELO-P) for 2024-25
- And while the 2023-24 Enacted Budget did not include cuts, many LEAs may see a reduction in their total ELO-P amount this year

2022-23 State Investment in ELO-P Was \$4 billion

- Rate 1 LEAs: \$2,750 per pupil for LEAs with UPP $\geq 75\%$, in accordance with statute
- Rate 2 LEAs: \$2,054 per pupil for LEAs with UPP $< 75\%$
- Rate 2 determined by first subtracting the total amount for all Rate 1 schools, with remaining amount distributed per the formula to Rate 2 schools

2023-24 State Investment in ELO-P Remained \$4 billion

- Rate 1 LEAs: \$2,750 per pupil for LEAs with UPP $\geq 75\%$, in accordance with statute
- Rate 2 LEAs: \$1,803 per pupil for LEAs with UPP $< 75\%$
- Rate 2 decreased by \$251.54 from 2022-23 because of a 3.27% statewide increase in classroom-based ADA in grades TK-6 used in the funding calculation, and no increase to the state budget allocation for the program



Proposition 28 Implementation Considerations

Cautious Approach to Planning is Still the Best Course of Action

SSC Advice



The level of funding for 2023-24 is known, but the date of the first apportionment is unclear



Audit guide procedures for 2023-24 will not be available until March 2024



LEAs have three years to expend funds



Recent statutory changes did not clarify all the outstanding local implementation questions

- Additional guidance from the state is still needed

Proposition 28—Arts and Music in Schools Funding (AMS)

School Site Expenditure Plan: (Annual) While each school is required to create an expenditure plan, it is not mandated that it be posted on the LEA website, be board approved, or submitted to the CDE.

Annual Report (Annual) Must be board approved, submitted to the CDE, and posted to the LEA's website.

Annual Certification (Annual) Must annually certify that all funds will be used to provide arts education programs, among other assurances.

Expenditure Report (By October 1st) after the three-year expenditure spending period concludes, required to report to the CDE the amount of unexpended AMS funds.

Auditing (Annual) Pursuant EC Section 41020, these funds are subject to the annual state compliance audit.

District Office	\$3,279
BOUSD Online Academy	\$2,777
Brea Canyon High (Continuation)	\$13,271
Brea Olinda High	\$214,228
Arovista Elementary	\$51,616
Laurel Elementary Magnet School	\$60,924
Mariposa Elementary	\$69,394
Olinda Elementary	\$81,992
Brea Junior High	\$115,913
Falcon Academy of Science and	\$66,614
Brea Country Hills Elementary	\$66,307
Total Allocation	\$746,315

Learning Recovery Emergency Block Grant

The 2022-23 Enacted Budget included \$7.9 billion—the 2023-24 Enacted Budget reduced this amount to \$6.8 billion

Funds must be expended by June 30, 2028



SB 114 includes intent language to restore the cut in \$379 million increments starting in the 2025-26 fiscal year through the 2027-28 fiscal year

Using CDE template, must report interim expenditures of funds by December 15, 2024, and annually thereafter, with final report by December 15, 2029

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

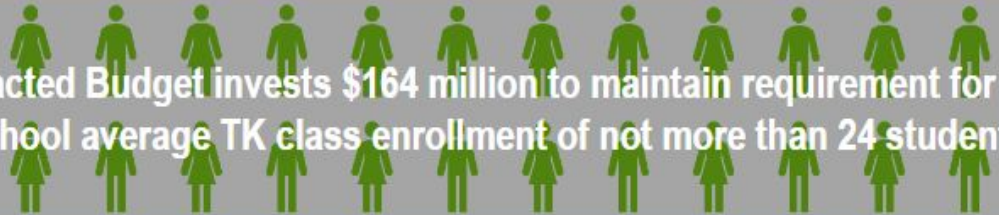


2025-26

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

TK Classroom Required Staff:Student Ratios

Enacted Budget invests \$164 million to maintain requirement for per school average TK class enrollment of not more than 24 students¹



Through 2024-25 School Year
Temporarily maintains requirement for a per school average TK staffing ratio of 12:1

Starting in 2025-26 School Year
Requires average TK staffing ratio of 10:1, with intent to appropriate funds for the lower ratio

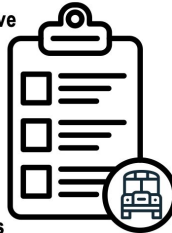
Preserves local staffing flexibility for the second “adult” in a TK classroom with a 24:2 staffing ratio and, starting in 2025-26, a 20:2 ratio



Home to School Transportation & Universal Meals

Home-to-School Transportation Plan

- An annually adopted Transportation Service Plan is required in order to receive reimbursement
 - The plan was to be adopted by April 1, 2023, and each year updated by April 1, primarily about the following fiscal/school year
- Plan must:
 - Include priority for planned services for students in grades TK-6 and low-income students
 - Describe how transportation will be accessible to students with disabilities and homeless youth
 - Describe how unduplicated students may access free transportation
 - Be developed in consultation with staff, regional transit authorities, local air pollution control districts, air quality management districts, parents, and students and adopted in an open meeting with opportunity for in-person and remote public comment

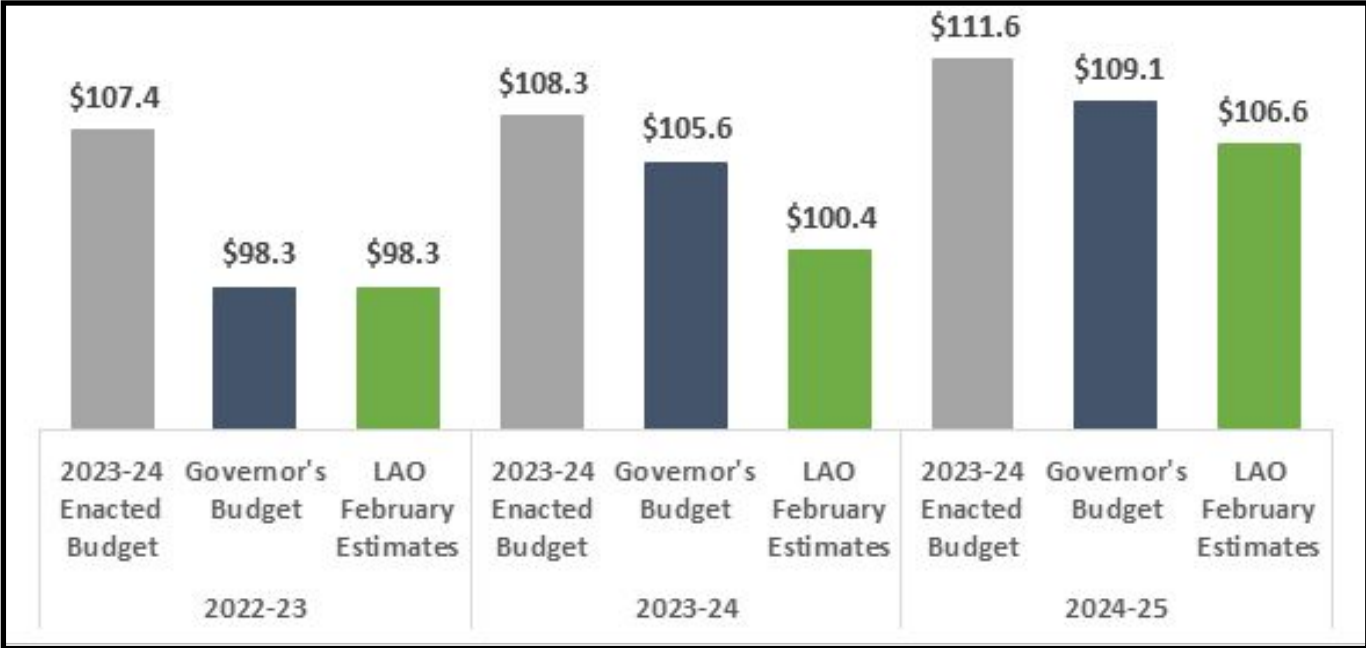


Universal School Meals Program

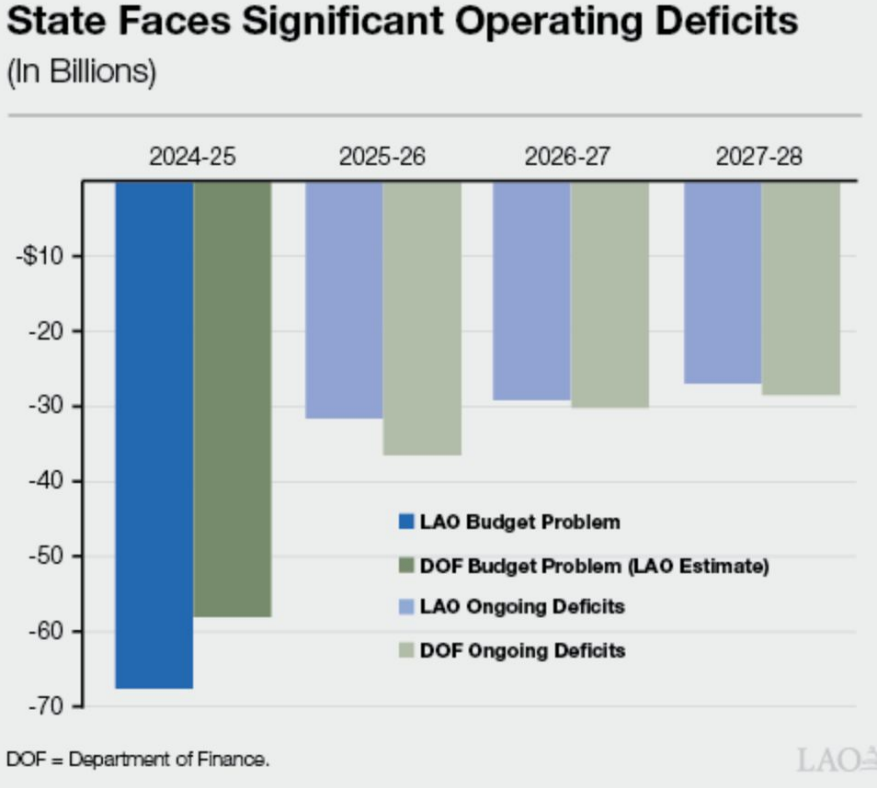
- In addition to applying the statutory COLA, the Governor proposes an increase of \$122.2 million ongoing to fully fund the universal school meals program in 2024-25
 - The state projects that over 845 million meals will be served in 2024-25
- **Reminder: LEAs are required to provide breakfast and lunch to students that request a meal, free of charge**
- In order to receive reimbursement under the program, your LEA must participate in both the National School Lunch Program and the School Breakfast Program

The Road Ahead: The State's Fiscal Picture & the Deficit Update

Decrease in Projected Prop 98 Funding



LAO and DOF estimating significant deficits



LAO Recommendations for Addressing the K-12 Budget Shortfall

Overall Approach

- ✓ Build Alternative Budget Package That Prioritizes Core Programs and Budget Stability
- ✓ Reject Proposed Funding Maneuver
- ✓ Begin Identifying Additional Reductions and Solutions Now

One-Time Solutions

- ✓ Use Reserve Withdrawal to Address 2022-23 Shortfall
- ✓ Reject All One-Time Spending Increases
- ✓ Review Unallocated Funds and Reduce Lower Priority Grants
- ✓ Explore One-Time Reductions to Certain Ongoing Programs

Ongoing Spending

- ✓ Reject Statutory Cost-of-Living Adjustment Increase
- ✓ Reject Most Other Ongoing Proposals
- ✓ Plan for Lower Attendance-Related Costs
- ✓ Explore Changes to Ongoing Programs That Could Generate Additional Savings
- ✓ Consider Reducing Funding Streams That Are Based on Antiquated Factors

Next Steps

- Despite a multibillion-dollar budget deficit, **the Governor is calling for limited early action** on issue areas not affecting education
- The next steps in the process are **controlled by the Legislature**, which has the responsibility to vet the Governor’s proposals during budget hearings over the next several weeks and months
 - This process coincides with the release of further details on the Governor’s Budget proposals, included in trailer bill language, which is usually released at the beginning of February
 - The LAO and public also get to weigh in with their feedback and counter proposals
 - This process prepares legislators to respond quickly after the next official State Budget checkpoint—the May Revision
- LAO Overall Message: **Plan for further decreases in Prop 98 funding by June**

With Prop. 98 comprises approximately 40% of the state’s GF, the likelihood of California’s school funding will be impacted in the upcoming budget year, and most likely in the current fiscal year 2023-24.

“Call” to Action

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814
Phone: (916) 445-2841

Senator Josh Newman
203 N Harbor Blvd.,
Fullerton, CA 92832
Phone: (714) 525-2342



Phillip Chen State Assembly
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The word "Feedback" is written in large, colorful, 3D block letters. Each letter is a different color: 'F' is pink, 'e' is lime green, 'e' is purple, 'd' is orange, 'b' is yellow, 'a' is light blue, 'c' is lime green, and 'k' is pink. The letters are held up from below by several hands, suggesting a collaborative or community effort. The word is centered on a white background, flanked by two vertical blue bars.