

PIEDMONT UNIFIED SCHOOL DISTRICT

M E M O R A N D U M

TO: Board of Education

FROM: Dr. Donald Evans, Interim Superintendent

PRESENTER: Ruth Alahydoian, Chief Financial Officer

DATE: August 10, 2022

SUBJECT: **45-Day Budget Revision**

PURPOSE:

To share the significant revisions in revenues and expenditures that will be made to the District's 2022-23 Budget to reflect the final State Budget Act as signed into law by the Governor.

BACKGROUND:

The District based its 2022-23 Budget on the Governor's May Revision to his Proposed Budget. The State Legislature approved a final budget in June, and Governor Newsom signed it into law on June 27, 2022. Education Code 42127(h) requires that:

Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

The final 2022-23 State Budget Act made the following significant changes:

Local Control Funding Formula (LCFF). LCFF is 50% of the District's general fund revenue. The formula is Average Daily Attendance (ADA) x Base Per Pupil Amount. The final State budget makes adjustments to both sides of the equation, resulting in an increase of **\$758 K** in on-going revenue. Here is the breakdown:

Base Amount. The base amount increases by the statutory COLA of **6.56%** plus an additional increase of **6.28%**. The District's budget had the 6.56% COLA plus an additional increase of 3.29%. The additional amount due to the higher additional percentage is \$663 K.

ADA Calculation: Two factors have made an impact on the decline in ADA statewide. First, there is a state-wide decline in enrollment numbers for K-12

students. Second, the increase in absences in 2021-22 due to COVID reduces the average daily attendance. The final State budget addresses both issues. First, we are now allowed to use the higher of the average of three prior years of ADA or current year. The District's budget assumed this method. But in addition, to address the low attendance rate in 2021-22, the State budget allows districts to use the 2019-20 attendance rate applied to 2021-22 enrollment, which results in higher ADA. Incorporating this change in the calculation generates an additional \$95 K.

One-time Grants. One-time grants allow the State to "spend" the required Proposition 98 funds that are owed to schools but not commit to ongoing funding. It also allows legislators and the Governor to target funds for specific programs. The District budget included \$3.386 M in one-time grants as revenue. The net total is \$1.67 M, so a reduction of \$1.71 M. **The Budget adopted by the Board set-aside the \$3.386 M with the expectation that at least \$1.5 M would ultimately be approved and could be used to meet the required 3% reserve. Without the one-time funds, the District did not meet the 3% ending balance reserve.** The final amount will allow the District to meet the 3% reserve requirement, assuming the funds will be used for existing expenditures, not new ones. Here are the two grants:

Arts, Music and Instructional Materials Discretionary Grant - \$1.5 M. The grant is flexible and can be used for operations, but requires that the Board discuss and review a plan for expenditures at a regularly scheduled public board meeting.

Learning Recovery Emergency Block Grant - \$167 K. This is a continuation of the learning recovery funding that was provided last year to support long-term recovery from the pandemic

Transportation Funding. Districts are required to provide transportation to special needs students, if necessary, but must cover the costs from existing funds. The State Budget includes additional funding for transportation. The District expects to receive \$145 K. The total cost for SPED transportation is budgeted at \$275 K so this will relieve unrestricted funds for other uses.

Lottery Funding. The lottery funding is not dependent on the State budget. It is based on actual lottery revenues. The latest estimate for revenues for 2022-23 was released in July, with an increase of \$79 K for the District.

Comparison Table. The table below compares the District's 2022-23 Budget as adopted by the Board and the Revised 45-Day Budget based on the State Budget Act. The key impact for the District is in the Ending Balance. The budget adopted by the Board kept certain revenues on hold. That is, revenues were included as revenue but not spent and designated as not available. As a result, undesignated dollars were not sufficient for the 3% reserve. The certainty of the final State Budget Act allows the hold

to be lifted and revenues to be spent. As you will see, the District is now able to meet the 3% reserve and have funds available for other expenditures.

Changes based on Final State Budget				
		Original Budget	45 Day Budget	Net Changes
REVENUES				
	LCFF	\$24,663,765	\$25,422,285	\$758,520
	State One-Time Grant	3,385,590	1,673,140	-1,712,450
	Transportation (for SPED)	0	145,000	145,000
	Lottery Revenues	538,663	617,773	79,110
	All Other Revenues	23,656,166	23,656,166	0
TOTAL REVENUES		52,244,184	51,514,364	-729,820
EXPENDITURES				
	Meas H Bonus Payout to CSEA	0	\$464,564	464,564
	COVID response staffing		216,016	216,016
	All Other Expenditures	49,739,260	49,739,260	0
TOTAL EXPENDITURES		49,739,260	50,419,840	680,580
Net Changes		2,504,924	1,094,524	-1,410,400
Beginning Balance		3,371,316	3,371,316	
Ending Balance		5,876,240	4,465,840	-1,410,400
<u>Hold / Designations:</u>				
	Unspent Restricted Funds	719,965	719,965	
	Measure H - On Hold for CSEA	464,564	0	
	LCFF Add'l - On hold	1,207,139	0	
	State One-time - On Hold	3,385,590	1,673,140	(a)
	3% Econ Uncertainties	1,492,178	1,511,043	
Total Not Designated		-1,393,196	561,692	(b)
Available for Board Direction		\$0	\$2,234,832	(a+b)

RECOMMENDATION/QUESTIONS FOR THE BOARD:

This item is for review and discussion.

NEXT STEPS:

The District will incorporate the revisions into the budget.

FISCAL IMPACT:

RELATED PAST BOARD ITEMS:

2022-23 Budget – Public Hearing, June 8, 2022

2022-23 Budget – Adoption, June 22, 2022

ATTACHMENTS:

General Fund Budget Comparison 2022-23 Budget-45 Day Revision

General Fund Budget Multi-Year Projection Report 2022-23 Budget 45 Day Revision