

2020-21 Moraga School District Adopted Budget Narrative

Brief Item Description:

The 2020-21 Preliminary Adopted Budget includes the following:

- **2019-20 Estimated Actuals:** Last chance to revise the current year's budget to estimate what the beginning balance for 2020-21 fiscal year will be.
- **2020-21 Adopted Budget:** First look at the budget plan for 2020-21
- **2021-22 and 2022-23 Multi-Year Projections:** Outlook for the next two years to determine budget plan moving forward.

2019-20 Estimated Actuals

Since the Second Interim report was presented to the Board on March 10, 2020, there have been final adjustments made to the District's 2019-20 operating budget for both revenues and expenditures. The budget for the current year has been adjusted for the events related to the current Coronavirus Pandemic, including early school closure and additional State Funding through SB117-Covid 19 LEA Response funds. The budget also reflects information provided by the Governor's May Revision, Contra Costa SELPA and reflects changes made based on year-to-date actuals.

A review of these changes are in the attachment "*2019-20 Schedule of Changes 2nd Interim vs. Estimated Actuals.*"

This final 2019-20 budget projection provides an estimated "Beginning Fund Balance" used in budget planning for 2020-21 through 2022-23.

2020-21 Adopted Budget

The Adopted Budget is driven by assumptions based on information provided by the Governor's May Revise, local board decisions and local commitments to the Moraga School District's educational program.

In recent years, the Governor's Budget Proposal included the on-going commitment to education by fully funding the LCFF (Local Control Funding Formula) including COLA (Cost-of-Living-Adjustment) increases year after year. Despite these proposed increases to education funding, school districts across the State were still projecting structural deficits due declining enrollment, increased special education costs and natural increases to expenditures outpacing the projected increases to revenues.

In January, the Governor's budget proposal was focused on "Building a strong fiscal foundation now so the state can prepare for the future and continue to build a 'California for All'." At this time, the 2020-21 budget proposal reflected:

- Increases in the state’s “Big Three” taxes (Personal Income Tax, Sales Tax and Corporate Tax)
- 2.29% COLA to the LCFF
- Additional reserves in the Rainy Day Fund
- Increases in Special Education Funding
- Creation and maintenance of several one-time education programs

One thing that was not in this proposal was immediate relief from the various cost pressures districts are facing. This being said, districts across the State were experiencing structural deficits and looking for ways to mitigate this risk to their fiscal solvency.

Then, the Coronavirus Pandemic hit us like a tsunami.

The Governors May Revision was unveiled on May 14, 2020. This proposal was far different than what was proposed just a few months earlier and reflected the following:

- 10% reduction to the LCFF
- State pension relief for employers by reducing the STRS/PERS rate increases
- Maintenance of Special Education funding at its current levels with no COLA increases.
- Proposed draw down of the entire Rainy Day Fund over three years
- Cash Deferrals for 2019-20 and 2020-21

The next steps are for the Assembly and Senate to negotiate the state budget and approve it by June 15th or they risk suspending their pay. Then, Governor Newsom has his chance to weigh in on the final budget which he must enact by June 30th.

It’s important to keep in mind that this proposal was based on a lot of “unknowns” and as more information comes available throughout the next days and months this will change the state’s budget assumptions. This being said, we can very well expect a state budget revision in late July into August which will be primarily adjusted for July tax collections as well as any new information regarding federal stimulus funds and the status of the pandemic.

2020-21 Revenue Assumptions:

The Governor’s budget provides updated factors used to calculate the District’s main revenue source, the Local Control Funding Formula (LCFF).

Below are the factors provided by the latest proposal that drive the LCFF revenue projection for the current year through 2022-23:

	2019-20	2020-21	2021-22	2022-23
Funded ADA	1813.56	1807.00	1742.82	1742.82
LCFF COLA	3.26%	2.31%	0%	0%
Deficit Factor	0%	(10%)	0%	0%

In the Governor’s budget proposal, it includes a COLA of 2.31% to the Base Rate, then reduces this new base rate by 10% for a net reduction in per ADA funding of 7.92%.

In addition to the LCFF funding provided by the State, revenue projections include funding provided by:

- Moraga Education Foundation
- Local Parcel Tax including newly passed Measure B
- State Lottery funds
- State and Federal Special Education funding
- Federal funding for Title I, Title II and Title IV
- Facility Use Revenue
- After School Sports
- Moraga Sports Alliance
- Mandated Block Grant

2020-21 Expenditure Assumptions:

Expenditure projections are based on the following factors:

- Projected Enrollment = 1,786
- Salary and Benefits for:
 - *Certificated Teacher Staff = 102.00 full-time equivalent
 - *Classified Support Staff = 69.1 full-time equivalent
 - *Certificated and Classified Management = 15.80 full-time equivalent
 - *Certificated Driven Benefits (STRS, Medicare, UI, WC) at 19.52%
 - *Classified Driven Benefits (PERS, Medicare/FICA, UI, WC) at 30.27%
 - *Estimated 2% increase to health premiums
- Maintaining the Routine Restricted Maintenance Program at 3% of general fund expenditures
- K-5 History/Social Science and Health Textbook Purchases
- Technology replacement and upgraded technology infrastructure
- Approved Reductions of \$324,000

Multiyear Projection (MYP):

As part of the Adopted Budget, districts are required to calculate projections for two subsequent years (2021-22 and 2022-23). The following are main factors used in the LCFF calculator to project revenue:

	2021-22	2022-23
Funded ADA	1742.82	1742.82
COLA	0%	0%

“Funded Average Daily Attendance (ADA)” for both subsequent years are projected to be less than the “Funded ADA” for 2020-21 due to the projected decline in enrollment for 2020-21 of approximately 65 students. The current funding formula is based on the “higher of” prior year or current year ADA. Therefore, it has a hold harmless component that allows districts who are declining in enrollment to have one-year to prepare for the decrease in funding.

Federal and Other State revenues are projected to remain flat for each year.

The following factors used to project expenditure budgets:

	2021-22	2022-23
Step/Column Increase CERT	1.00%	1.00%
Step/Column Increase CLASS	1.00%	1.00%
California CPI	1.73%	2.12%
STRS Rate Change	-0.13%	2.08%
PERS Rate Change	2.14%	2.66%
Health Benefit Increase	5.00%	5.00%
Routine Restricted Maintenance	3.00%	3.00%

As a result of the revenue and expenditure projections for 2021-22 through 2022-23, the district will continue a structural deficit in all three fiscal years. By 2022-23, unless additional reductions are made in all three years, it is projected that our reserves will be depleted by 2022-23, deeming us fiscally insolvent.

The chart below illustrates the change to the District's Fund Balance from 2019-20 through 2022-23:

	2019-20	2020-21	2021-22	2022-23
Total Revenues:	23,175,145	21,673,109	21,178,372	21,180,416
Total Expenditures:	23,827,951	23,377,281	23,241,626	23,908,846
Net Increase (Decrease) to Fund Balance:	(652,806)	(1,704,172)	(2,063,254)	(2,728,430)
FUND BALANCE RESERVES:				
Beginning Balance	6,118,405	5,465,599	3,761,427	1,698,173
Net Increase (Decrease) to Fund Balance:	(652,806)	(1,704,172)	(2,063,254)	(2,728,430)
ENDING FUND BALANCE:	5,465,599	3,761,427	1,698,173	(1,030,257)
COMPONENTS OF THE ENDING FUND BALANCE				
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000	0
RESTRICTED: Categorical Programs	365,723	340,570	258,212	56,534
ASSIGNED:				
Textbook Implementation	117,934	0	0	0
Curriculum & Instruction Professional Development	167,640	83,820	83,820	0
Technology Replacement/Upgrade	583,210	285,406	285,406	0
UNASSIGNED AVAILABLE RESERVES:				
**3% Required Reserve	714,839	701,318	697,249	0
**Undesignated Fund Balance:	3,491,253	2,325,313	348,486	(1,086,791)
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:				
**TOTAL AVAILABLE GENERAL FUND RESERVES	4,206,092	3,026,631	1,045,735	-1,086,791
ADD FUND 17 RESERVES	950,000	950,000	950,000	950,000
TOTAL AVAILABLE RESERVES IN DOLLARS:	5,156,092	3,976,631	1,995,735	-136,791
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:	21.64%	17.01%	8.59%	-0.57%

Other Funds:

At this time, all other funds are projected to have a positive ending fund balance as of 06/30/2020.

The Building Fund (Fund 21) does not reflect any expenditures in 2020-21 as these are budgeted once the project year is closed out in September.

Included in the June 3, 2020 board packet are:

- 1) Adopted Budget PowerPoint Presentation
- 2) 2019-20 Schedule of Changes
- 3) 2019-20 and 2020-21 Summary of Funds
- 4) Adopted Budget State Forms