

2021-22 Moraga School District Adopted Budget Narrative

Brief Item Description:

The 2021-22 Preliminary Adopted Budget includes the following:

- **2020-21 Estimated Actuals:** Last chance to revise the current year's budget to estimate what the beginning balance for 2021-22 fiscal year will be.
- **2021-22 Adopted Budget:** First look at the budget plan for 2021-22
- **2022-23 and 2023-24 Multi-Year Projections:** Outlook for the next two years to determine budget plan moving forward.

2020-21 Estimated Actuals

Since the Second Interim report was presented to the Board on March 9, 2021, there have been final adjustments made to the District's 2020-21 operating budget for both revenues and expenditures. The most significant changes to the budget have been related to the transition from the hybrid learning model to the in-person instruction model which brought a majority of our students back to school five days per week. This includes the additional AB86 funding for the In-Person Instruction (IPI) and Expanding Learning Opportunity (ELO) grants, as well as costs related to the tentative agreements with both the Moraga Teachers Association (MTA) and California School Employees Association, Chapter #403 (CSEA).

Other adjustments were made to reflect year to date actuals through April 30, 2021.

A review of these changes are in the attachment *"2020-21 Schedule of Changes 2nd Interim vs. Estimated Actuals."*

This final 2020-21 budget projection provides an estimated "Beginning Fund Balance" used in budget planning for 2021-22 through 2023-24.

2021-22 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.

The Governor's May Revision, referred to as the "California Comeback Plan", was unveiled on May 14, 2021, and represents a unique opportunity to fund schools with one-time funds and at unanticipated levels.

The “California Comeback Plan” is based on improved revenue projections for the “Big Three” taxes (Personal Income Tax, Sales Tax and Corporate Tax) and includes the following education proposals which were used to develop the District’s preliminary 2021-22 operating budget:

- 5.07% “Mega” Cost-of-Living Adjustment (COLA) applied to the LCFF
- Special Education funding adjusted for the compounded COLA of 4.05%
- Continue to pay down cash deferrals in 2021-22
- Proposed increase to the employer Unemployment Rate from 0.005% to 1.23%

The Governor also proposed several programs funded by one-time dollars. These programs were NOT included in the District’s preliminary 2021-22 operating budget due to the uncertainty of the inclusion of these proposals making it to the enacted budget:

- Universal Transitional Kindergarten Planning Grant
- Comprehensive Student Supports
- Educator Preparation, Retention and Training
- Child Nutrition
- Broadband
- Targeted Intervention Grant
- In-Person Health & Safety Grant

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 a chance to weigh in on the final budget which he must enact by June 30th.

2021-22 Revenue Assumptions:

There are three major sources of funding for local school districts:

- 1) State Funding
- 2) Local Funding
- 3) Federal Funding

State Funding

State funding comes in the form of the Local Control Funding Formula (LCFF) and “Other” State funds.

The LCFF is calculated annually and is primarily based on the following factors:

	2020-21	2021-22	2022-23	2023-24
Enrollment	1,761	1,693	1,693	1,693
Funded ADA	1,808.08	1,807.00	1,653.79	1,652.81
Statutory COLA	0.00%	5.07%*	2.48%	3.11%

*“Mega” COLA of 5.07% is the compounded COLA of 4.05% plus an augmentation of 1%.

Despite a decline in enrollment in 2020-21 of approximately 90 students, the district will continue to be funded on the 2019-20 Average Daily Attendance (ADA) in 2021-22 which is projected to generate \$15.7 million in 2021-22. The District will begin feeling the impact

in revenues beginning in 2022-23 where the district is projected to receive \$14.7 million, a significant reduction of \$1 million. This reduction is directly related to the decline in enrollment.

In addition to the LCFF, the Moraga School District is projecting to receive \$61k in Classified School Employee Summer Assistance Funds, \$326k in State Lottery Funds, \$114k in Mental Health funds and \$54k in Mandated Block Grant funds.

In total, LCFF and Other State funds make up 75% of the general fund revenue budget. This being said, these funds are very volatile and are dependent on a healthy economy.

Local Funding

Local funding comes from the following sources:

- Moraga Education Foundation = \$1.4 million (a reduction of \$225k from prior year)
- Local Parcel Tax = \$3.02 million
- SpEd Property Tax and Shared EIP Program = \$743k
- Facility Use Fees = \$128k
- Other Local/Interest = \$67k

In total, local funds make up 23% of the general fund revenue budget indicating that the District is fortunate to have community support to keep operations running at its current level.

Federal Funding

Federal funding comes from the following sources:

- Special Education = \$367k
- Categorical Programs such as Title I, Title II and Title IV = \$52k

In total, federal funds make up 2% of the general fund revenue budget.

2021-22 Expenditures:

Expenditure budgets are based on the following:

- 2021-22 Projected Enrollment = 1,693
- Salary and Benefits for:
 - *Certificated Teacher Staff = 97.8 full-time equivalent
 - *Classified Support Staff = 64.4 full-time equivalent
 - *Certificated and Classified Management = 16.60 full-time equivalent
 - * Salary Increase from 2020-21 of 3%
- District priorities as outlined by the Local Control and Accountability Plan (LCAP)
- History Textbook adoption for Grades 6-8 and Health Curriculum Adoption
- Technology replacement and upgraded technology infrastructure
- Special Education and Section 504 programs
- School Safety Reopening
- Schneider Electric Project

For the current year, it is projected that the District will meet its minimum required reserve of 4% (3% State Requirement and 1% Board policy) and have a positive ending fund balance.

Multiyear Projection (MYP):

As part of the Adopted Budget, districts are required to calculate projections for two subsequent years (2022-23 and 2023-24).

The following assumptions are used to project the operating budgets for 2022-23 through 2023-24:

GOVERNOR'S ASSUMPTIONS:	2021-22	2022-23	2023-24
Cost-of-Living Adjustment	5.07%	2.48%	3.11%
Consumer Price Index	3.84%	2.40%	2.23%
CalPERS Employer Rate	22.91%	26.10%	27.10%
CalSTRS Employer Rate	16.92%	19.10%	19.10%
Unemployment Rate	1.23%	0.20%	0.20%
Classified Driven Benefits	33.69%	35.85%	36.85%
Certificated Driven Benefits	21.50%	22.65%	22.65%
DISTRICT ASSUMPTIONS:	2021-22	2022-23	2023-24
Enrollment	1,693.00	1,693.00	1,693.00
Funded ADA	1,807.00	1,653.79	1,652.81
Step & Column Increase	1.00%	1.00%	1.00%
Health Benefit Rates	5.00%	5.00%	5.00%
Reserve for Economic Uncertainty	4.00%	4.00%	4.00%
Routine Restricted Maintenance	3.00%	3.00%	3.00%

In addition, the District will continue to use “One-Time” funds for technology including upgrades to the District’s technology infrastructure as well as a technology refresh plan. Budgets for these activities have been included in the multi-year projection and will be funded with “One-Time” funds.

Despite having healthy reserve levels in all three years, it is important to point out that the district projects a structural deficit in 2022-23 and 2023-24. The only reason the structural deficit is not in all three years is due to the State extending their ADA Hold Harmless provision to include 2021-22 and because the State’s proposal for the 5.07% “Mega” COLA. Additionally, there are still concerns around economic uncertainty, with the latest LAO budget report indicating that the State will be in a structural deficit starting in 2022-23 through at least 2024-25. The driving factor continuing to cause MSD’s structural deficit is the natural increase in revenues being outpaced by the natural increases in expenditures i.e. Step and Column, employer pension contributions and perpetual underfunding of Special Education.

For the current year, we are projecting a surplus of \$69,961. For 2022-23 and 2023-24, unless the District enhances revenue opportunities, reduces expenditures or a combination of both, the District’s reserves will be reduced each year by the projected deficit.

The chart below illustrates the change to the District's Fund Balance:

	2021-22	2022-23	2023-24
Total Revenues:	23,623,629	22,630,205	23,080,795
Total Expenditures:	23,553,668	23,672,102	24,003,906
Net Increase (Decrease) to Fund Balance:	69,961	(1,041,897)	(923,111)
FUND BALANCE RESERVES:			
Beginning Balance	6,359,575	6,429,536	5,387,639
Net Increase (Decrease) to Fund Balance:	69,961	(1,041,897)	(923,111)
ENDING FUND BALANCE:	6,429,536	5,387,639	4,464,528
COMPONENTS OF THE ENDING FUND BALANCE			
NONSPENDABLE: Revolving Cash	25,000	25,000	25,000
RESTRICTED: Categorical Programs	1,227,600	1,208,908	1,188,827
ASSIGNED:			
Textbook Implementation	0	0	0
Curriculum & Instruction Professional Development	70,575	0	0
Technology Replacement/Upgrade	61,667	0	0
UNASSIGNED AVAILABLE RESERVES:			
**3% Required Reserve	706,610	710,163	720,117
**Undesignated Fund Balance:	4,338,084	3,443,568	2,530,584
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:			
**TOTAL AVAILABLE GENERAL FUND RESERVES	5,044,694	4,153,731	3,250,701
ADD FUND 17 RESERVES	950,000	950,000	950,000
TOTAL AVAILABLE RESERVES IN DOLLARS:	5,994,694	5,103,731	4,200,701
TOTAL AVAILABLE RESERVES AS A PERCENTAGE:	25.45%	21.56%	17.50%

For 2021-22, we are projecting an "Ending Fund Balance" of \$6.4 million and an "Available" reserve of \$5.9 million or 25.45%. For the current year this is considered a "healthy" reserve level, however as illustrated in the chart above, this "healthy" reserve can quickly be depleted if a structural deficit persists.

Other Funds:

At this time, all other funds are projected to have a positive ending fund balance as of 06/30/2021.

The Building Fund (Fund 21) does not reflect any expenditures in 2021-22 as these are budgeted once the project year is closed out in September.