

# **2022-23 Moraga School District Adopted Budget Narrative**

## **Brief Item Description:**

The 2022-23 Preliminary Adopted Budget includes the following:

- **2021-22 Estimated Actuals:** Last chance to revise the current year's budget to estimate what the beginning balance for 2022-23 fiscal year will be.
- **2022-23 Adopted Budget:** First look at the budget plan for 2022-23
- **2023-24 and 2024-25 Multi-Year Projections:** Outlook for the next two years to determine budget plan moving forward.

## **2021-22 Estimated Actuals**

Since the Second Interim report was presented to the Board on March 8, 2022, there have been final adjustments made to the District's 2021-22 operating budget for both revenues and expenditures. The most significant changes to the budget have been related to the recently approved agreements with both the Moraga Teachers Association (MTA) and California School Employees Association, Chapter #403 (CSEA), Summer School and Special Education.

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

A review of these changes are in the attachment "*2021-22 Schedule of Changes Estimated Actuals vs 2<sup>nd</sup> Interim*"

This final 2021-22 budget projection provides an estimated "Beginning Fund Balance" used in budget planning for 2022-23 through 2024-25.

## **2022-23 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, was unveiled on May 13, 2022, and included a spending plan of \$300.7 billion to "provide relief from rising inflation, ensure public safety, address homelessness, transform public education and combat climate change."

This sizeable budget is based on the fact that state revenues from the “Big Three” taxes (Personal Income Tax, Sales Tax and Corporate Tax) continue to exceed projections. The May Revision, which is used to develop the District’s preliminary 2022-23 operating budget, includes the following proposals for education that are assumed in MSD’s preliminary budget:

- 6.56% Statutory Cost-of-Living Adjustment (COLA)
- \$2.1 billion in ongoing increase to the LCFF (estimated to be 3.286% added to the BASE)
- \$614 million for Transitional Kindergarten
- “ADA Cliff” Solution: Funded ADA is based on the greater of:
  - Current Year ADA
  - Prior Year ADA
  - 3 Year Average ADA

The Governor also proposed several programs that are NOT included in MSD’s preliminary budget due to the uncertainty of the inclusion of these proposals making it to the enacted budget and/or the need for clarifying trailer bill language:

- \$8 billion in One-Time Discretionary Funding (estimated to be \$1,500 per ADA)
- \$3.3 billion in ongoing funds to mitigate declining enrollment “Covid-19 ADA Relief”
- \$1.8 billion in one-time funds to support the School Facilities Program
- \$1.8 billion in one-time funds for deferred maintenance

The next steps are for the Assembly and Senate to negotiate the state budget and approve it by June 15<sup>th</sup> 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 30<sup>th</sup>.

**2022-23 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 has primarily been based on the following factors:

	2021-22	2022-23	2023-24	2024-25
Enrollment	1,715.00	1,699.00	1,648.00	1,664.00
<b>Actual</b> ADA	1,695.37	1,659.80	1,610.01	1,625.74
<b>Funded</b> ADA <i>(Current Law higher of CY or PY)</i>	1,810.35*	1,695.37	1,659.80	1,625.74
Statutory COLA	5.07%	6.56%	5.38%	4.02%

*\*In 2021-22, the “funded ada” was held harmless and funded based on the 2019-20 ADA.*

With this latest budget proposal, the LCFF has been altered and is now based on the following factors:

	2021-22	2022-23	2023-24	2024-25
Enrollment	1,715.00	1,699.00	1,648.00	1,664.00
Actual ADA	1,695.37	1,659.80	1,610.01	1,625.74
<b>Funded ADA**</b> <i>(new in 22-23)</i>	1,810.35	1,769.65	1,719.28	1,650.68
Statutory COLA	5.07%	6.56%	5.38%	4.02%
Addition to the LCFF BASE <i>(new in 22-23)</i>	0.00%	3.29%	0.00%	0.00%
TK Add-On <i>(new in 22-23)</i>	-	\$ 2,813.00	\$ 2,964.34	\$ 3,083.51

*\*\*Funded ADA is based on the "ADA Cliff" formula which determines the funded ADA as the greater of the current year ada, prior year ada or the 3-year average ADA. MSD is using the 3 year average in this chart.*

As the charts above illustrate, these proposals are bringing in more LCFF funding than we have seen since its inception in 2013. This level of funding is mainly due to the "ADA Cliff" formula, the addition to the LCFF Base of 3.29% and the TK Add-on.

It is important to note that the "addition to the LCFF base" was the Governor's way of helping school district's mitigate rising costs due to inflation and pension increases and the "TK Add-on" brings with it its own string of requirements which the District will be analyzing in the coming months.

Based on the proposed changes in the LCFF funding model, the district is expected to generate \$17.02 million in 2022-23, \$17.48 million in 2023-24 and \$17.58 million in 2024-25.

In addition to the LCFF, the Moraga School District is projecting to receive \$44k in Classified School Employee Summer Assistance Funds, \$378k in State Lottery Funds, \$118k in Mental Health funds and \$59k 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 = \$1.525 million
- Local Parcel Tax = \$3.05 million
- SpEd Property Tax and Shared EIP Program = \$899k
- Facility Use Fees = \$188k
- Other Local/Interest = \$78k

In total, local funds make up 22% 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 = \$60k
- One-Time Covid Stimulus Funds = \$324k

In total, federal funds make up 3% of the general fund revenue budget.

## **2022-23 Expenditures:**

Expenditure budgets are based on the following:

- 2022-23 Projected Enrollment = 1,699
- Salary and Benefits for:
  - \*Certificated Staff = 101.50 full-time equivalent
  - \*Classified Support Staff = 63.68 full-time equivalent
  - \*Certificated and Classified Management = 17.0 full-time equivalent
  - \* 2021-22 Salary Schedules (4% increase from 2020-21)
- District priorities as outlined by the Local Control and Accountability Plan (LCAP)
- Technology replacement and upgraded technology infrastructure
- Special Education and Section 504 programs
- One-time Stimulus funded programs (interventions, additional mental health staff, PPE, and nurse)
- Universal Transitional Kindergarten
- Universal Meals Program
- Educator Effectiveness Initiatives

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 (2023-24 and 2024-25).

With the 2022-23 as the base year, the following assumptions are applied to project the operating budgets for 2023-24 through 2024-25:

<b>GOVERNOR'S ASSUMPTIONS:</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Cost-of-Living Adjustment	6.56%	5.38%	4.02%
Addition to the LCFF BASE:	3.29%	0.00%	0.00%
Consumer Price Index	0.00%	3.14%	1.97%
CalPERS Employer Rate	26.10%	27.10%	27.70%
CalSTRS Employer Rate	19.10%	19.10%	19.10%
Unemployment Rate	0.50%	0.20%	0.20%
Classified Driven Benefits	36.15%	36.85%	37.45%
Certificated Driven Benefits	22.95%	22.65%	22.65%
<b>DISTRICT ASSUMPTIONS:</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Enrollment	1,699.00	1,648.00	1,664.00
Funded ADA	1,769.65	1,719.28	1,650.68
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%

The chart below illustrates how these adjustments impact the MYP:

	2022-23	2023-24	2024-25
Total Revenues:	25,762,328	25,903,182	25,996,422
Total Expenditures:	26,046,375	25,909,050	26,095,352
<b>Net Increase (Decrease) to Fund Balance:</b>	<b>(284,047)</b>	<b>(5,868)</b>	<b>(98,930)</b>
<b>FUND BALANCE RESERVES:</b>			
Beginning Balance	5,687,686	5,403,639	5,397,771
Net Increase (Decrease) to Fund Balance:	(284,047)	(5,868)	(98,930)
<b>ENDING FUND BALANCE:</b>	<b>5,403,639</b>	<b>5,397,771</b>	<b>5,298,841</b>
<b>COMPONENTS OF THE ENDING FUND BALANCE</b>			
<b>NONSPENDABLE:</b> Revolving Cash	25,000	25,000	25,000
<b>RESTRICTED:</b> Categorical Programs	569,321	247,279	33,032
<b>ASSIGNED:</b>			
Textbook Implementation	296,000	296,000	296,000
Universal Transitional Kindergarten	126,838	315,696	620,963
Technology Replacement/Upgrade	130,000	130,000	130,000
<b>UNASSIGNED AVAILABLE RESERVES:</b>			
**3% Required Reserve	781,391	777,272	782,861
**Undesignated Fund Balance:	3,475,089	3,606,525	3,410,985
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>			
**TOTAL AVAILABLE GENERAL FUND RESERVES	4,256,480	4,383,796	4,193,846
ADD FUND 17 RESERVES	954,986	954,986	954,986
<b>TOTAL AVAILABLE RESERVES IN DOLLARS:</b>	<b>5,211,466</b>	<b>5,338,782</b>	<b>5,148,832</b>
<b>TOTAL AVAILABLE RESERVES AS A PERCENTAGE:</b>	<b>20.01%</b>	<b>20.61%</b>	<b>19.73%</b>

In all three years, we are projecting a structural deficit, but by no means is this anywhere close to what we have been used to seeing in the past. This fiscal outlook is primarily due to a strong economy and the investment the current budget proposal is putting into education.

That being said, we must remember that our budgets are as healthy as the State's and if the State were to experience a downturn, we can expect that to trickle down to the local level.

For the past several years, the District has been the recipient of either one-time Mandated Cost funds or Covid Stimulus Funds which have allowed the district to return to in person learning, provide social emotional supports, additional interventions, maintain technology, stay current on textbook adoptions and provide summer school. These funds are expected to be fully spent by June 30, 2023.

Additionally, the district has analyzed their technology replacement plan, has updated the textbook adoption cycle, is working on updating the deferred maintenance plan, will implement the Universal Meals Program and Transitional Kindergarten Program and this requires reserves to be assigned for these purposes as there is currently no funding source tied to these initiatives.

For 2022-23, we are projecting an "Ending Fund Balance" of \$5.4 million and an "Available" reserve of \$5.2 million or 20.01%.

**Other Funds:**

At this time, all other funds are projected to have a positive ending fund balance as of 06/30/2023.



