

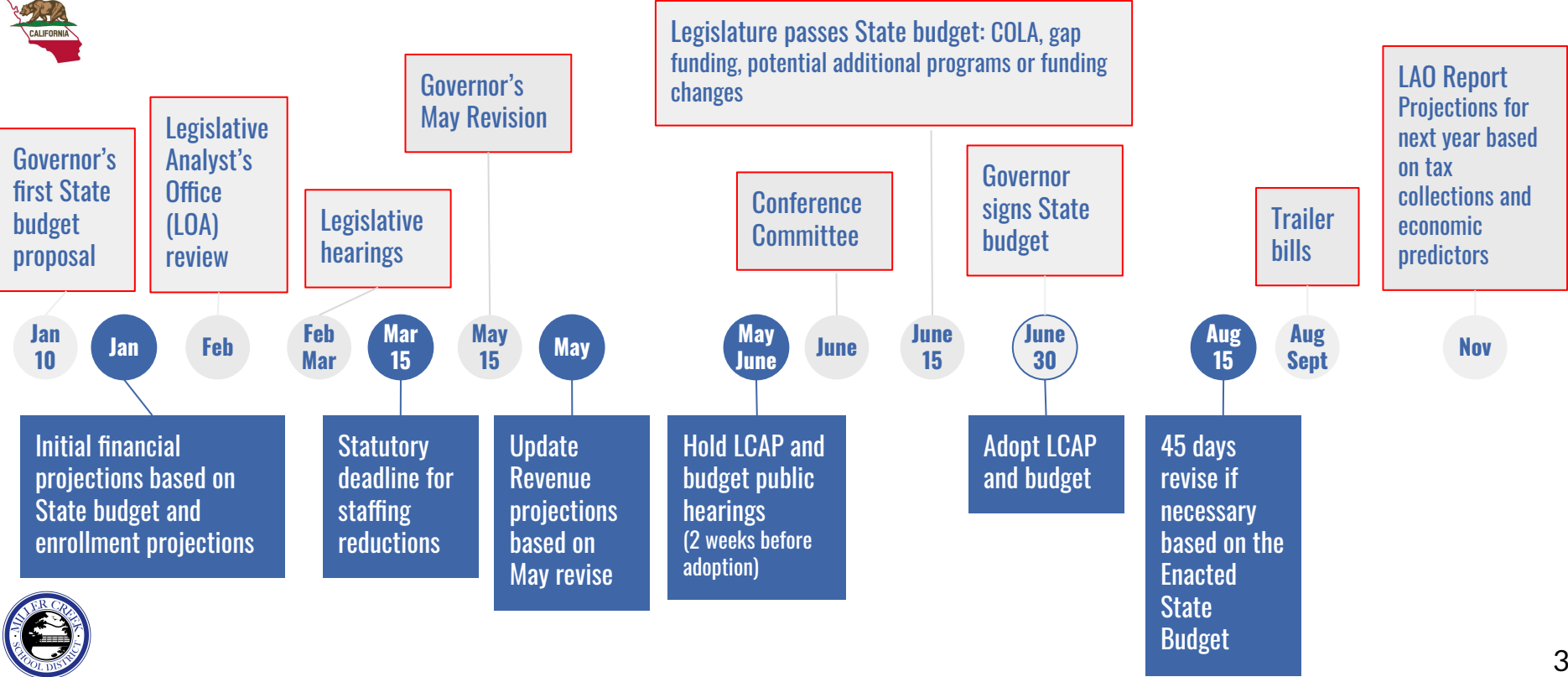


Budget Adoption

Miller Creek School District Board Meeting June 13th, 2023

Update from the State

Budget Cycle



Themes for the May Revision



Governor Gavin Newsom attempts to reach a balance of protecting existing investments while anticipating continued economic uncertainties



Revenues have continued to underperform, forcing the Administration to now recognize a \$31.5 billion budget shortfall



Despite this uncertainty, education falls into the category of an investment to protect



Even within education, a tradeoff is made: Protecting the Local Control Funding Formula (LCFF) comes at the expense of one-time funds reduced in the current year, some of which have already hit local educational agency (LEA) coffers



Echoing his warnings in January, the Governor's summary states "should broader economic risks materialize, deeper reductions will be necessary"



Still in the budgeting toolbox should revenues continue to decline: deferrals, reserve account withdrawals, and cost-of-living adjustment (COLA) deficits

Governor's Budget vs. May Revision

Item	Governor's Budget	May Revision
LCFF Funding Increase	\$5.04 billion ¹	\$4.04 billion ²
Proposition 98 Minimum Guarantee		
2021-22	\$110.4 billion	\$110.6 billion
2022-23	\$107.0 billion	\$106.8 billion
2023-24	\$108.8 billion	\$106.8 billion
2023-24 Statutory COLA	8.13%	8.22%
Arts, Music, and Instructional Materials Discretionary Block Grant Reduction	-\$1.2 billion	-\$1.8 billion
Learning Recovery Emergency Block Grant Reduction	No Reduction	-\$2.5 billion

¹Reflects an LCFF increase of \$4.2 billion for the 8.13% COLA and \$855 million to support TK expansion

²Reflects an LCFF increase of \$3.6 billion for the 8.22% COLA and \$460 million to support TK expansion

SSC Financial Projection Dashboard

Planning Factors						
		2022-23	2023-24	2024-25	2025-26	2026-27
DOF ¹ Planning COLA		6.56%	8.22%	3.94%	3.29%	3.19%
California CPI ²		5.71%	3.54%	3.02%	2.64%	2.89%
CalSTRS ³ Employer Rate		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS ⁴ Employer Rate		25.37%	26.68%	27.70%	28.30%	28.70%
California Lottery	Unrestricted per ADA	\$170	\$170	\$170	\$170	\$170
	Restricted per ADA	\$67	\$67	\$67	\$67	\$67
Mandate Block Grant (District) ⁵	Grades K-8 per ADA	\$34.94	\$37.81	\$39.30	\$40.59	\$41.88
	Grades 9-12 per ADA	\$67.31	\$72.84	\$75.71	\$78.20	\$80.69
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$18.34	\$19.85	\$20.63	\$21.31	\$21.99
	Grades 9-12 per ADA	\$50.98	\$55.17	\$57.34	\$59.23	\$61.12

¹Department of Finance (DOF), ²Consumer Price Index (CPI), ³California State Teachers' Retirement System, ⁴California Public Employees' Retirement System, ⁵COE Mandate Block Grant: \$37.81 per average daily attendance (ADA) grades K-8; \$72.84 per ADA grades 9-12; \$1.27 per ADA; \$1.27 per unit of countywide ADA

2023-24 LCFF Funding Factors

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Grade Span	TK	K-3	4-6	7-8	9-12
2022-23 Base Grant per ADA	\$9,166	\$9,166	\$9,304	\$9,580	\$11,102
8.22% COLA	\$753	\$753	\$765	\$787	\$913
2023-24 Base Grant per ADA	\$9,919	\$9,919	\$10,069	\$10,367	\$12,015
Grade Span Adjustment (GSA)	\$1,032	\$1,032	–	–	\$312
TK Add-on (inclusive of COLA)	\$3,044	–	–	–	–
2023-24 Adjusted Base Grant per ADA	\$13,995	\$10,951	\$10,069	\$10,367	\$12,327
20% Supplemental Grant per ADA ¹	–	\$2,190	\$2,014	\$2,073	\$2,465
65% Concentration Grant per ADA ²	–	\$7,118	\$6,545	\$6,739	\$8,013

¹Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 20% and Unduplicated Pupil Percentage (UPP)

²Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

MYP - 4 years at a glance

Multi-Year Projection

Description	2022-23 Estimated Actuals				2023-24 Budget				2024-25 Projected Budget				2025-26 Projected Budget			
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined	
Revenue																
General Purpose	19,459,214		19,459,214	0	21,124,392		21,124,392	4	21,409,035		21,409,035	4	22,477,421		22,477,421	4
Federal Revenue		1,415,203	1,415,203			485,853	485,853	5		485,853	485,853			485,853	485,853	
State Revenue	767,585	3,616,134	4,383,719	1	821,110	1,622,547	2,443,657	5	840,146	1,640,170	2,480,316	5	872,593	1,662,216	2,534,809	5
Local Revenue	418,777	4,999,385	5,418,162		422,494	4,874,888	5,297,382	6	422,494	4,963,719	5,386,213	6	422,494	5,055,215	5,477,709	6
Transfers in	2,514,000		2,514,000	2	1,300,000		1,300,000		1,300,000		1,300,000		1,300,000		1,300,000	
Contributions to Restricted	(3,953,389)	3,953,389	0		(5,036,441)	5,036,441	0	7	(5,220,320)	5,200,222	(20,098)		(5,366,502)	5,349,774	(16,728)	
Total Revenue	19,206,187	13,984,111	33,190,298		18,631,555	12,019,729	30,651,284		18,751,355	12,289,964	31,041,319		19,706,006	12,553,058	32,259,064	
Expenditures																
Certificated Salaries	7,904,223	4,248,614	12,152,837		8,742,435	4,691,413	13,433,848	8	8,595,983	4,726,515	13,322,498	13	8,767,903	4,821,046	13,588,949	
Classified Salaries	2,700,495	1,701,806	4,402,301		2,918,864	1,793,433	4,712,297	8	2,834,441	1,829,301	4,663,742	13	2,891,130	1,865,887	4,757,017	
Employee Benefits	4,677,439	2,897,289	7,574,728		5,332,686	3,262,011	8,594,697	9	5,394,260	3,344,295	8,738,555		5,594,907	3,438,119	9,033,026	
Books and Supplies	534,926	775,809	1,310,735		418,600	454,800	873,400	10	418,600	390,800	809,400		418,600	390,800	809,400	
Other Services & Oper. Expenses	2,407,927	2,110,878	4,518,805		2,143,459	1,751,671	3,895,130	11	3,222,319	765,922	3,988,241	14	3,366,850	173,280	3,540,130	14
<i>Incl Object 5750 One-time transfers to GF</i>									<i>1,078,860</i>	<i>(1,078,860)</i>	<i>0</i>	<i>15</i>	<i>1,223,391</i>	<i>(1,223,391)</i>	<i>0</i>	<i>15</i>
Capital Outlay	5,101	39,745	44,846		5,000	40,000	45,000		5,000	40,000	45,000		5,000	40,000	45,000	
Other Outgo 7xxx		1,259,233	1,259,233			1,499,254	1,499,254	12		1,499,254	1,499,254			1,499,254	1,499,254	
Transfer of Indirect 73xx	(153,792)	153,792	0		(55,000)	55,000	0		(25,000)	25,000	0		(25,000)	25,000	0	
Transfers Out	84,362		84,362	3												
Budget Reductions (Line 10)			0								0		(600,000)		(600,000)	16
Total Expenditures	18,160,681	13,187,166	31,347,847		19,506,044	13,547,582	33,053,626		20,445,603	12,621,087	33,066,690		20,419,390	12,253,386	32,672,776	
Deficit/Surplus	1,045,506	796,945	1,842,451		(874,489)	(1,527,853)	(2,402,342)		(1,694,248)	(331,123)	(2,025,371)		(713,384)	299,672	(413,712)	
Beginning Balance	3,934,616	1,767,853	5,702,469		4,980,122	2,564,798	7,544,920		4,105,633	1,036,945	5,142,578		2,411,385	705,822	3,117,207	
Ending Balance	4,980,122	2,564,798	7,544,920	24.1%	4,105,633	1,036,945	5,142,578	15.6%	2,411,385	705,822	3,117,207	9.4%	1,698,001	1,005,494	2,703,495	8.3%

Revenue

Revenue Highlights

- Complicated State/Basic Aid scenarios resulting in revenue swings hard to predict
- Multiple factors:
 - State: COLA, conflicting funding priorities
 - County Treasury: property tax growth, prior year taxes, supplemental taxes, potential of commercial appeals
 - Local: demographics, impact of future development, CanDo!, new enrollment typically active during the summer

Since 2nd Interim:

- Projection of prior year taxes reduced by \$636,000 over 3 years
- Additional cuts to the Arts, Music, and Instructional Materials Discretionary Block Grant and the Learning Recovery Emergency Block Grant. Reduced by \$330K (left in ending balance at 2nd Interim), now total of \$845K, cuts all accounted for in 2022-23. Still debated in Sacramento.
- Prop 28: decided to budget for 2/3rd of allocation while waiting for trailer bills
- Applying to grants ...

=> 45 days revise might look different.

Revenue Assumptions

	2021-22	2022-23	2023-24	2024-25	2025-26
Property Tax	6.26%	6.11%	5.41%	4.56%	4.56%
COLA	5.07%	6.56% + 6.70%	8.22%	3.94%	3.29%
Actual ADA * <small>(line 159)</small>	1,700.1	1,725.4	1,737.1	1,775.4	1,859.2
Funded ADA <small>(line 164)</small>	1,967.9	1,873.3	1,796.5	1,775.46	1,859.2
Method	Prior	3-PY average	3-PY average	Current	Current
LCFF Increase YOY	-	+3.9%	+8.6%	+1.3%	+5.0%
Includes One-time	\$1,2M	\$2.1M	-	-	-
Secured property taxes			\$19,1M a 5.41% increase	4.56% increase	4.56% increase
Parcel Taxes	-		\$3.96M a 3% increase	3% increase	3% increase
Funded UPP*			22.51%	Stable	Stable
CanDo!			\$679,000	Flat	Flat
COVID carryover			\$571,000	None	None

Revenue other assumptions (MYP notes)

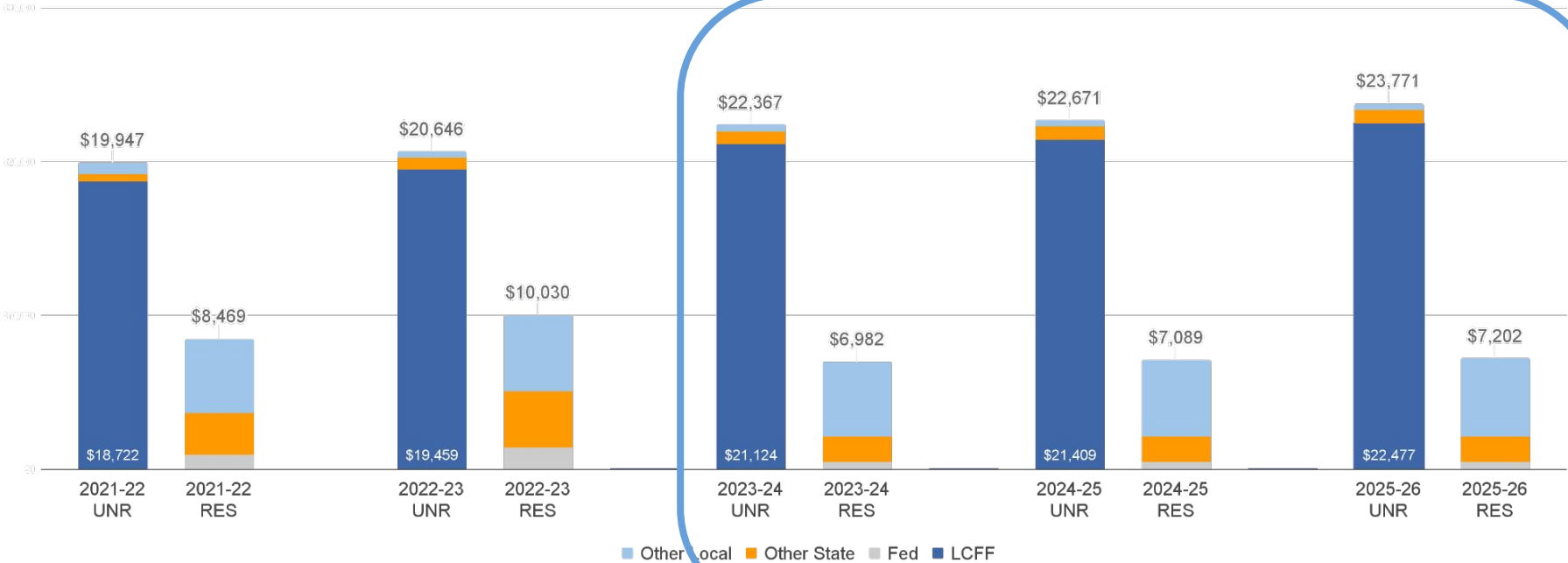
- 1: The Governor's May Budget Revision included further proposed cuts to the Arts, Music, and Instructional Materials (AMIM) Discretionary Block Grant and the Learning Recovery Emergency (LRE) Block Grant. This represents \$845,000 for the district. We recorded those cuts in 2022-23 as recommended by MCOE
- 2: We were able to apply a portion (\$1,214,000) of one time revenue we received in December from the Office of Public School Construction to reimburse some Facilities Modernization costs having impacted the General Fund in previous fiscal years.
- 3: This represents a non-recurring transfer to Fund 25 (Developers Fees) to cover some of the expenses associated with the Developer Mitigation/Facilities Strategic Planning efforts.
- 4: The projection uncertainty between the LCFF calculator projected COLA's is still too close to predict. Being on the cusp has introduced this same uncertainty over at least the last five years. A significant factor in this uncertainty is when to predict that the district will receive supplemental taxes of approximately \$600,000 (only in the years subsequent to being state funded).
- 5: Federal and State Revenue expected to decline in 23-24 due to removal one-time funding sources. We are now getting back to more predictable pre-pandemic fundings levels. Starting in 2023-24, State Revenue includes a portion of the Prop 28 funding for arts and music instruction in schools. MCOE recommends that districts exercise caution in planning for the expenditure of these funds as the level of funding is not yet known and some of the Proposition's key provisions lack clarity, including the restriction on supplanting and the requirement to use 80% of the funding for employees. We have projected an annual allocation of \$150,000 a year (State is reporting we could receive up \$222,000).
- 6: Local Revenue is expected to increase due to annual 3% renewal increase of the District's parcel tax. All other local revenues are projected flat (including CanDo!)

Enrollment Projections

	Budget 22-23	Count 05/2023	Projections 23-24				Projections 24-25				Projections 25-26			
			Cohort	New housing	Demo *	Total	Cohort	New housing	Demo *	Total	Cohort	New housing	Demo *	Total
TK	44	44	56			56	65	5	0	70	83	9	0	92
K	160	177	168			168	178	5	0	183	196	11	0	207
1	178	185	184			184	168	6	1	175	178	11	1	190
2	198	194	190			190	184	5	1	190	168	9	2	179
3	190	195	198			198	190	5	1	196	184	9	2	195
4	201	207	197			197	198	7	1	206	190	13	2	205
5	181	192	221			221	197	5	1	203	198	9	2	209
6	165	180	196			196	221	5	5	231	197	9	6	212
7	203	205	180			180	196	5	-1	200	221	9	4	234
8	229	224	207			207	180	5	-1	184	196	9	-2	203
	1,749	1,826	1,797			1,797	1,777	53	8	1,838	1,811	98	17	1,926
NPS	9	9	9			9	9			9	9			9
	1,758	1,812	1,806			1,806	1,786	53	8	1,847	1,820	98	17	1,935

* Demographic adjustments represent the recommended tuning from King Consulting after analysis of our enrollment patterns.

MYP Revenue Trend



Basic Aid or not Basic Aid?

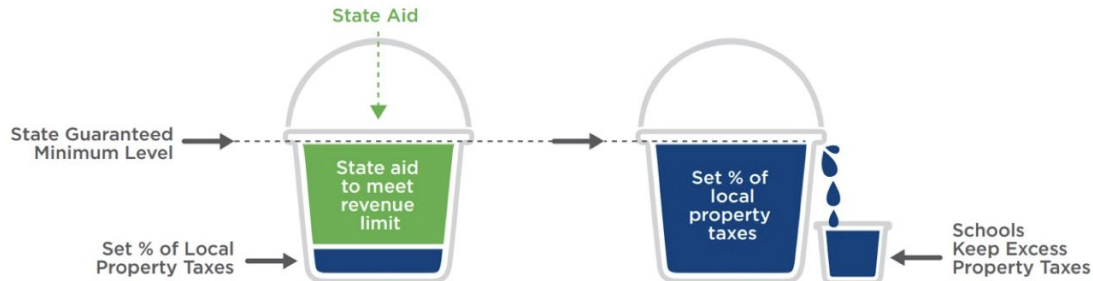
That is the question ...

State Funded, Non Basic Aid

- ▶ District is entitled to a calculated Entitlement
 - ▶ Comprised of property taxes and State Aid
 - ▶ When property taxes don't fill the bucket, the State makes up the shortfall with State Aid

Community Funded, Basic Aid

- ▶ District is entitled to a calculated Entitlement
 - ▶ Comprised of property taxes and State Aid
 - ▶ If Property taxes fill the bucket, and overflow, the district keeps the overflow \$\$ and doesn't need State Aid



Basic Aid or not Basic Aid?

Not all submissions have the same answer ...

State Funded,
Non Basic Aid

Community Funded,
Basic Aid

	2021-22	2022-23	2023-24	2024-25	2025-26
2022-23 Budget Adoption		\$ 19,413	\$ 20,121	\$ 20,676	
2022-23 45 days revise		\$ 19,559	\$ 20,902	\$ 20,811	
2022-23 1st Interim - DOF COLA	\$ 18,728	\$ 19,605	\$ 20,407	\$ 21,220	
2022-23 2nd Interim - DOF COLA	\$ 18,728	\$ 19,219	\$ 21,280	\$ 21,642	
2023-24 Budget Prep	\$ 18,728	\$19,459	\$20,879	\$20,803	\$22,497
	6.26%	6.11%	4.05%	4.26%	4.26%
<u>2023-24 Budget Adoption</u>	<u>\$ 18,728</u>	<u>\$19,459</u>	<u>\$21,124</u>	<u>\$21,409</u>	<u>\$22,497</u>
	6.26%	6.11%	5.41%	4.56%	4.56%

Expenses

Expenses Highlights

Additional ongoing costs:

- Employees expenses related to positions increased by 5% in 2023-24
- 2% step & column every year
- H&W benefits increased by close to 9% in budget, 6% after that
- One more elementary school counselor
- One more TK class
- Potential need of one more TK-5 teacher
- Special Ed costs



Positions/expenses paid from One-time funds will eventually be 100% funded out of General Fund eventually:

- Impact \$1,079K in 2024-25
- \$1,223K in 2025-26

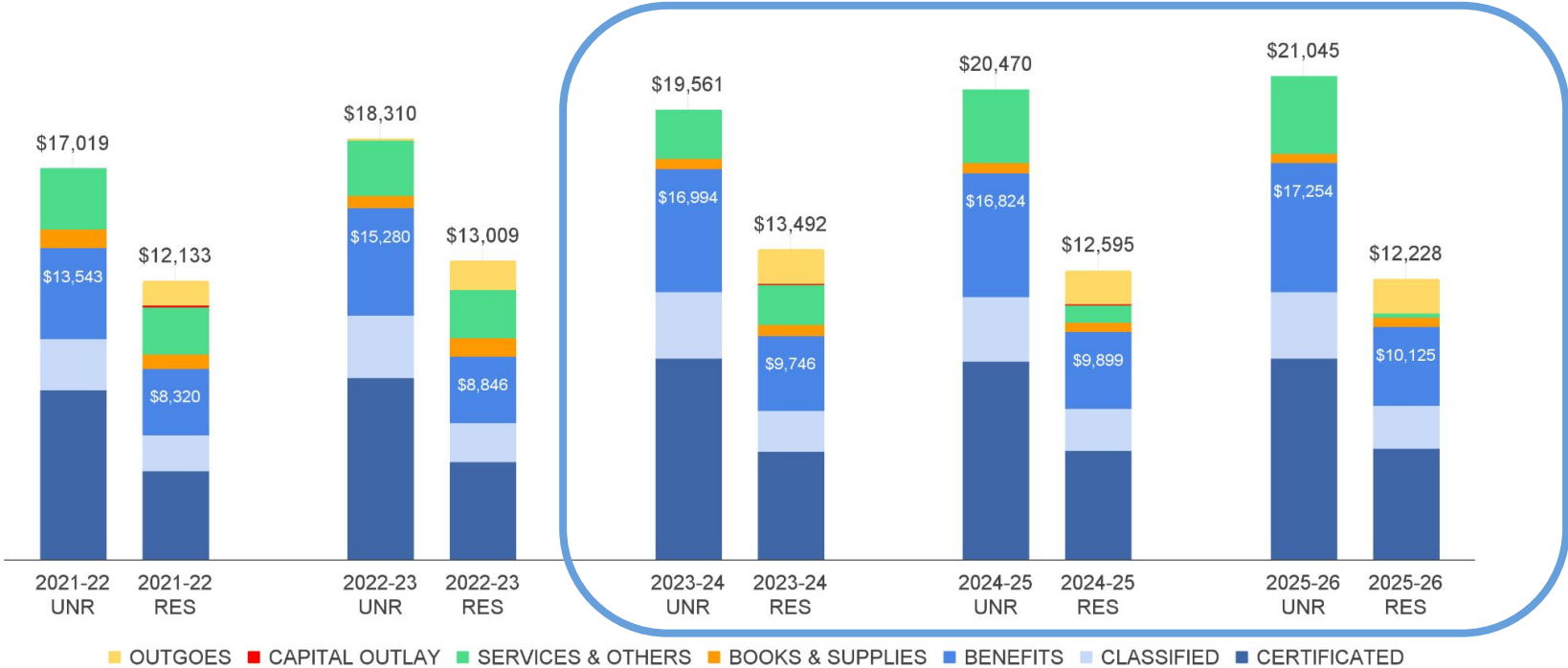
Measures already included in the budget are:

- Sunset several positions included in this LCAP cycle
- Adjust transportation program staffing
- Review sub rates for classified staff

Expenses other assumptions (MYP notes)

- 7: In 2023-24 and moving forward, the Special Ed contributions will increase as a result of the increasing staffing costs. In addition, we anticipate an increase in \$166,000 in the excess cost bill back from MCOE for our students who are in county programs and is maintaining a high level of spending for students in non-public placements.
- 8: 2023-24 Projections include step movement for eligible employees (2%), salary increase for all employees at 5% and re-activation of Special Ed positions that were outsourced in 2022-23. The budget also accounts for the expansion of our TK program, with the addition of one class for 23-24. In addition, the budget includes one additional K-5 teacher for projected enrollment. We are also planning to sunset several positions included in this LCAP cycle
- 9: Benefits projections include estimated increases in STRS & PERS, estimated 9% increase in health benefits in 2023-24, plus statutory benefits related to salary changes.
- 10: Lower spending level from 2022-23 due to the removal of carry overs (from pandemic extra funds) and one time expenditures. For instance, the textbook adoptions made in 2022-23 were anticipated and necessary, higher than an average year by \$240,000. Another example is the 2022-23 purchase of new chromebooks this spring for an additional grade level in order for 2nd graders to have devices with operating systems that allowed them to take the state testing. 2023-24 and out years are stable years.
- 11: Projections include removal of one-time expenditures, including Special Ed contracts that won't be necessary as we are planning to hire staff for those services.
- 12: Reflects an increase in \$166,000 in the Special Education Excess cost bill back from MCOE for our students who are in county programs
- 13: Includes the continuation of sunsetting several positions included in this LCAP cycle
- 14: The Services costs swings are mainly driven by the Expanded Learning Opportunities Program we are planning to operate in 2023-24 (\$300,000), in 2024-25 (\$448,000), and no spending in 2025-26 after the Resource has been depleted. This line item also includes a special budget line in Object 5750 for ANY costs previously accounted for in one-time resources that are moving to the General Fund.
- 15: Object 5750 Transfers of one time expenses to General Fund. Based on MCOE/FCMAT recommendations we are using this budget notation to capture any expense that needs to be absorbed by the General Fund after 2024-25.

MYP Expenses Trend, 81% People



General Fund only - UNR (Unrestricted) and RES (Restricted)
 Total above the column is for the entire column
 Amount indicated in white refers to Total Employees Costs

Deficit Spending

10,000 feet view

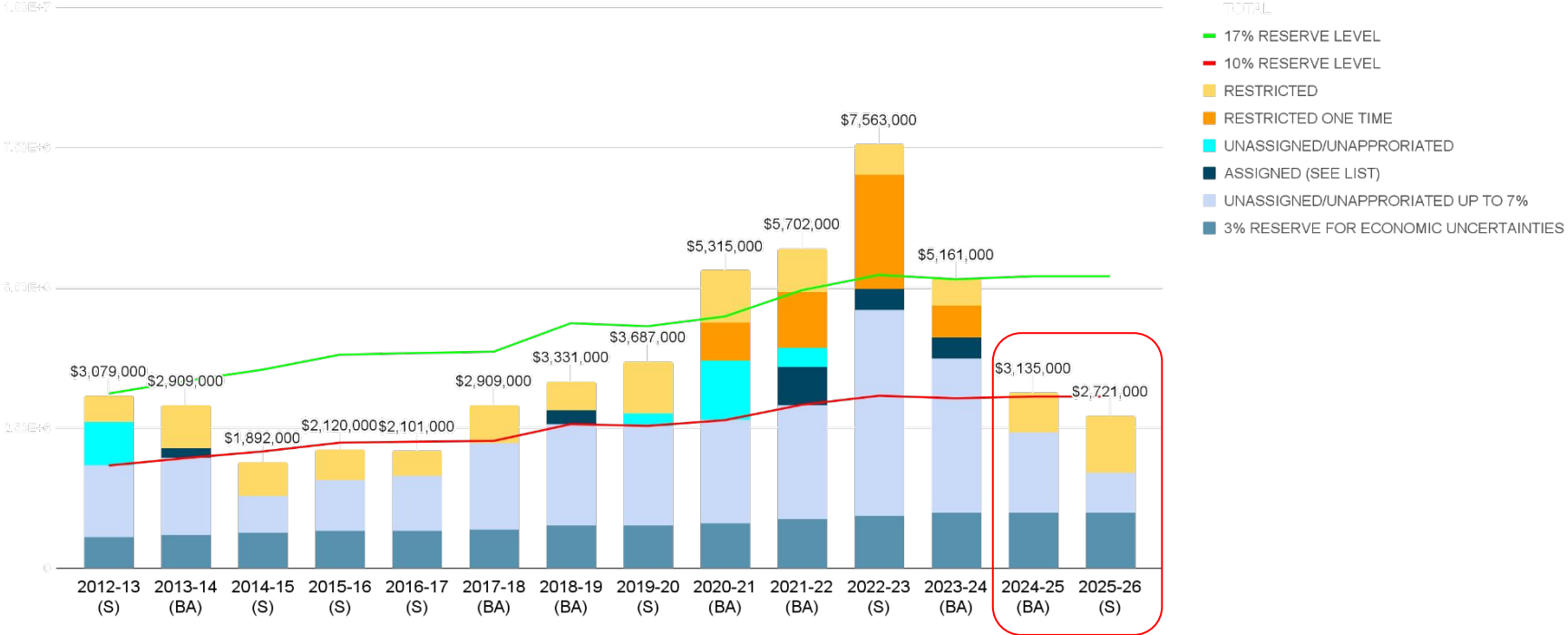
All numbers presented in thousands of dollars

	2022-23	2023-24	2024-25	2025-26
Total Revenue	\$33,190	\$30,651	\$31,041	\$32,259
Total Expenditures	\$31,348	\$33,054	\$33,067	\$33,273
<i>After reduction since budget hearing</i>		<i>-\$553</i>	<i>-\$430</i>	<i>-\$301</i>
Deficit/Surplus	\$1,842	-\$2,402	-\$2,025	-\$1,014
		<i>-7.3%</i>	<i>-6.1%</i>	<i>-3.0%</i>
Beginning Balance	\$5,702	\$7,545	\$5,142	\$3,117
Ending Balance	\$7,545	\$5,142	\$3,117	<u>\$2,103</u>

	2025-26
Total Revenue	\$32,259
Total Expenditures	\$33,273
<u>Budget Reductions (Line 10)</u>	<u>-\$600</u>
Deficit/Surplus	-\$414
Beginning Balance	\$3,117
Ending Balance	<u>\$2,703</u>

Reserve

ENDING FUND BALANCE



(BA) indicates years when the district was/will be Community Funded (aka Basic Aid)
 (S) indicates years when the district was/will be State Funded

Other Funds

OTHER FUNDS OVERVIEW

2023-24



	Beginning Fund Balance	Budgeted Net Change	2023-24 Projected Fund Balance
Cafeteria (Fund 13)	\$55,909	\$1,500	\$57,409
Building Fund (GO Bonds)	\$38,958		\$38,958
Capital Facilities (Developer Fees)	\$0		\$0
NEW - School Facilities (Fund 35)	\$5,175,140	\$40,000	\$5,215,140
Special Reserve for Capital Outlay	\$2,751,231	-\$143,675	\$2,607,556
<i>Lease Properties (Fund 40)</i>	<i>\$537,817</i>	<i>-\$158,675</i>	<i>\$379,142</i>
<i>Ex-Dixie Foundation</i>	<i>\$2,213,414</i>	<i>\$15,000</i>	<i>\$2,228,414</i>
Bond Interest and Redemption (GO Bond Repayment)	\$1,063,992	\$20,000	\$1,083,173
Self-Insurance Fund	\$247,088		\$247,088

APPROVAL IS RECOMMENDED

ANY QUESTIONS?