



# BUDGET WORKSHOP

Miller Creek School District, January 31st, 2024  
Marie Henrio, CBO

# Agenda



- Purpose of the Budget Workshop
- State Budget Update
- Overview of Miller Creek Financials
  - School Finance Basic Aid vs State Funded
  - General Fund Revenues and Expenditures
  - Multi Year Projections
  - Board Resolution and its impact
- Questions

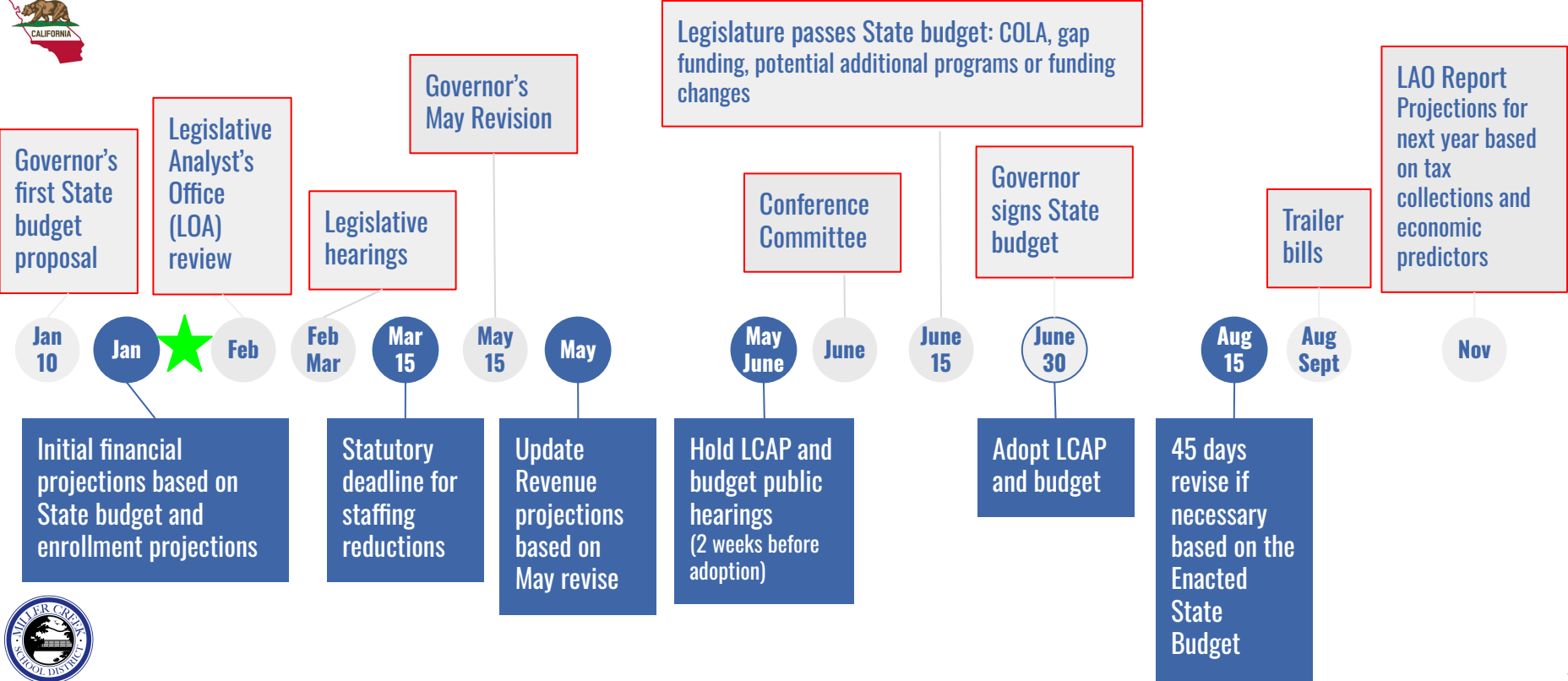
# Purpose of today



- 01** Better understanding of the Miller Creek School funding model
- 02** Overview of the sources of revenue and expenditure
- 03** Look at current/future fiscal challenges: depleting reserves

# State Budget update

# Budget Cycle



# 2024-25 Governor's Budget

Governor Gavin Newsom measures a \$37.9 billion budget shortfall, due largely to 2022 tax collections well below the budget's assumptions

The Governor's Budget uses less pessimistic revenue assumptions than the Legislative Analyst's Office (LAO)

Similarly to MCMS, Governor's focus is on students whose learning was and continues to be deeply impacted by the COVID-19 pandemic

## → Impact on Miller Creek

Good news: Despite the significant underperformance of General Funds Revenue in 2022-23, the Governor is not proposing any new cuts or deferrals to K-12 education core programs

We are expected to remain Basic Aid (Community Funded) in 2024-25 and 2025-26, so we are more protected than others from potential reductions

## **In a nutshell, cautionary message ...**

**Both at State level and local level, there is a strong priority on underperforming students despite fewer resources**

# Miller Creek Financials



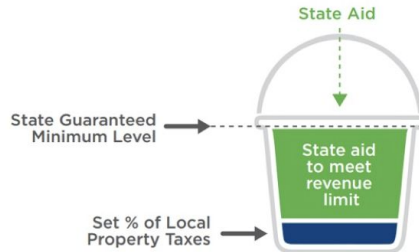
# Basic Aid or not Basic Aid?

## Determined by the Local Control Funding Formula

### State Funded, Non Basic Aid

District is entitled to a calculated Entitlement

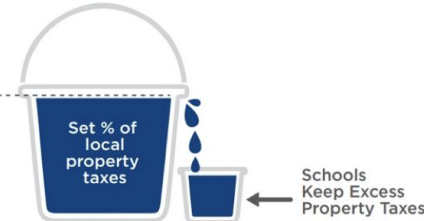
- Comprised of property taxes and State Aid
- When property taxes don't fill the bucket, the State makes up the shortfall with State Aid
- The more students we get the more money we get



### 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
- Not as sensitive to students enrollment, mainly driven by tax rates



Q: Why does it matter?

A: As a Basic Aid district our funding is now based on annual property taxes and not on the number of students we serve

# Basic Aid or not Basic Aid?

10 year data

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (Oct)
Enrollment	1,938	1,999	1,989	1,982	1,984	1,982	2,024 (*)	1,860	1,769	1,824	1,805
Funding	Basic Aid	State Funded	State Funded	State Funded	Basic Aid	Basic Aid	State Funded	Basic Aid	Basic Aid	State Funded	Basic Aid

(\*) 17 Out of range TK

Q: What do we notice?

A: We are "bouncing in and out"

# Revenue Sources: General Fund

General Purpose  
LCFF  
**66%**

General Purpose Dollars

Local Control Funding Formula (LCFF) to calculate level of State entitlement, including additional funding for low income students and English Learners

Federal  
**2%**

Special Education

Title I, II, III, IV

COVID (phasing out)

Other State  
**10%**

Special Education

COVID (phasing out)

Local  
**22%**

Parcel Tax

Can Do!

Home and School Club Donations

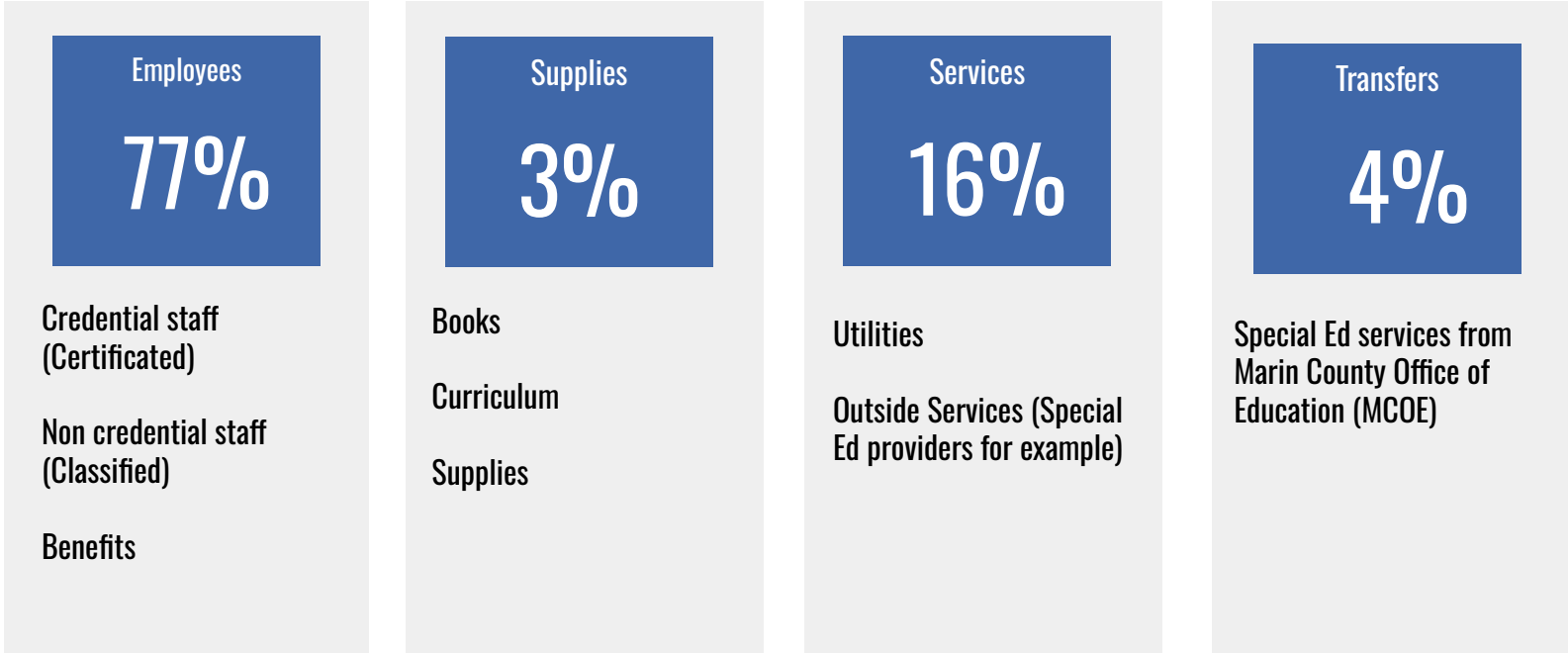
Lease Fund Transfer

# 2023-24 Revenue General Fund: \$30,483,000

At 1st Interim

	Unrestricted	Restricted Parcel Tax	Other Restricted	TOTAL
General Purpose LCFF	21,182,000 (66%)			21,182,000
Federal			608,000	608,000
Other State	720,000		2,433,000	3,153,000
Local	445,000	3,032,000 (10%)	2,063,000 (incl \$679,000 from CanDo!)	5,540,000
Transfer from Other Funds	1,300,000			1,300,000
<b>TOTAL</b>	<b>23,647,000</b>	<b>3,032,000</b>	<b>5,104,000</b>	<b>31,783,000</b>

# Expenditures: General Fund



# 2023-24 Expenditures General Fund: **\$33,213,000**

## At First Interim

	Unrestricted	Restricted Parcel Tax	Restricted CanDo!	Other Restricted	TOTAL
Certificated	8,436,000	2,167,000	194,000	2,238,000	13,035,000
Classified	2,714,000	428,000	144,000	1,364,000	4,650,000
Benefits	4,797,000	459,000 *	140,000	2,578,000	7,974,000
Books & Supplies	435,000	7,000	-	443,000	885,000
Services	2,268,000	25,000	150,000	2,833,000	5,276,000 **
Capital Outlay	54,000			40,000	94,000
Transfers	-216,000			1,515,000	1,299,000
<b>TOTAL</b>	<b>18,488,000</b>	<b>3,085,000</b>	<b>628,000</b>	<b>11,012,000</b>	<b>33,213,000</b>

77%

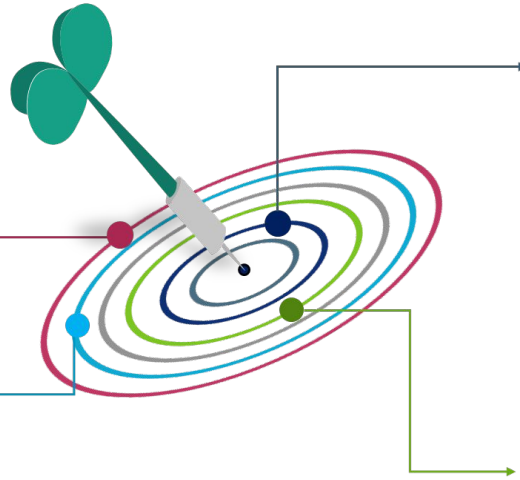
(\*) Not including pension costs

(\*\*) Including contracts for positions we have not been able to fill

# Multi Year Projections

aka MYP

Multiyear projections are required by Assembly Bill (AB) 1200 and AB 2756

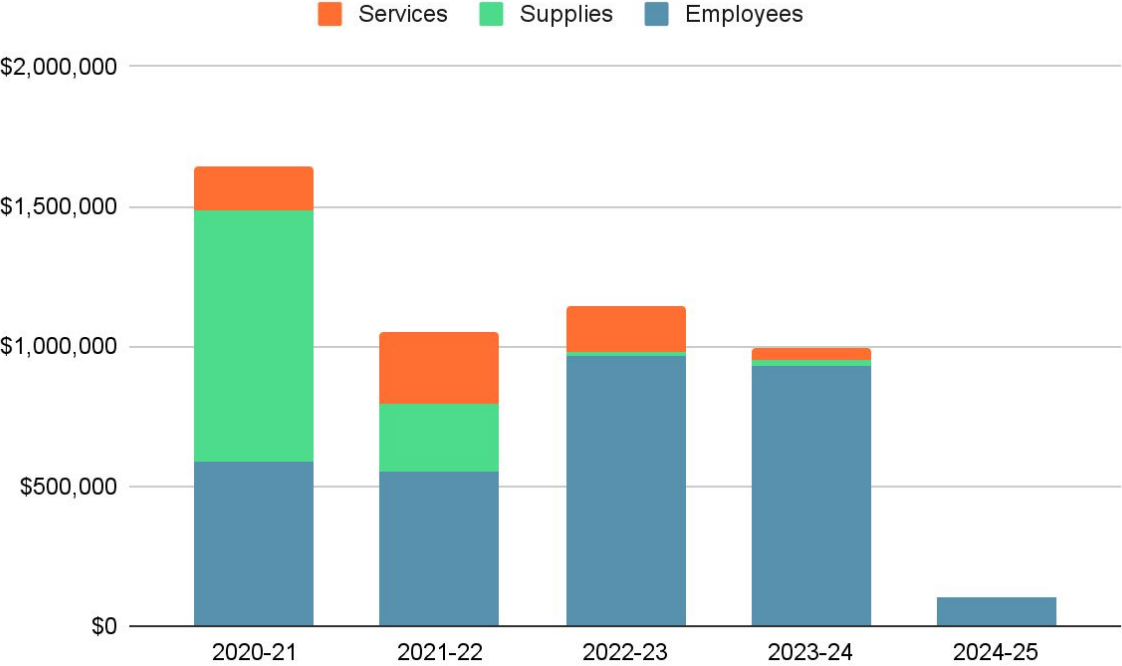


Projections are anchored in reliable information as of the date of the projection

Projections will change any time the underlying factors change

Projections must be documented, because they will change

# One-time Stimulus funds are spent



**Our budget for the last four years has supported programs and services for underperforming students paid from one-time COVID Stimulus funds**



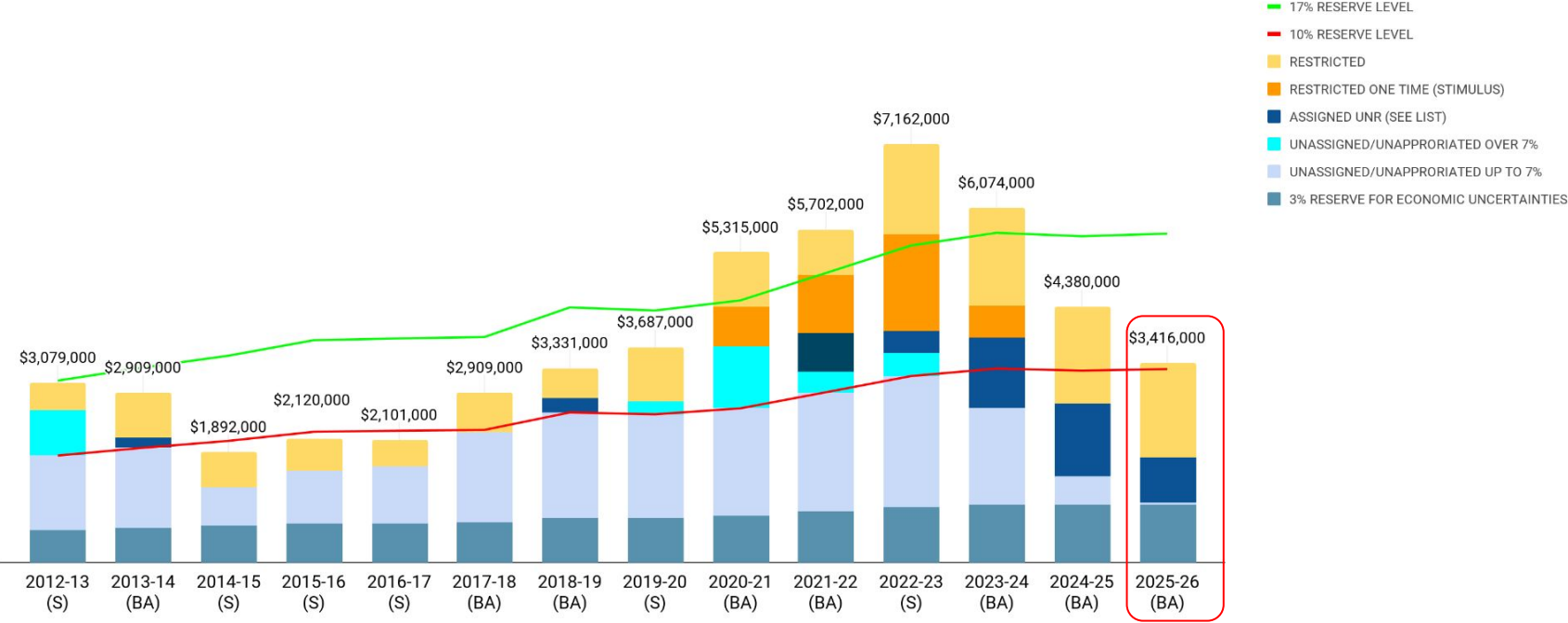
# MYP - Deficit Spending & Reserve Level (1st Interim)

Description	2023-24 45 1st INTERIM			2024-25 Projected Budget			2025-26 Projected Budget					
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined			
<b>Deficit/Surplus</b>	<b>(107,043)</b>	<b>(980,696)</b>	<b>(1,087,739)</b>	<b>(1,140,459)</b>	<b>(553,924)</b>	<b>(1,694,383)</b>	<b>(913,976)</b>	<b>(49,907)</b>	<b>(963,883)</b>			
Beginning Balance	3,962,632	3,200,105	7,162,737	3,855,589	2,219,409	6,074,998	2,715,130	1,665,485	4,380,615			
<b>Ending Balance</b>	<b>3,855,589</b>	<b>2,219,409</b>	<b>6,074,998</b>	<b>18.3%</b>	<b>2,715,130</b>	<b>1,665,485</b>	<b>4,380,615</b>	<b>13.3%</b>	<b>1,801,154</b>	<b>1,615,578</b>	<b>3,416,732</b>	<b>10.3%</b>
Revolving Cash (non spendable)	3,000		3,000		3,000		3,000		3,000		3,000	
Restricted Programs	0	1,873,739	1,873,739	5.6%	0	1,319,815	1,319,815	4.0%	0	1,269,908	1,269,908	3.8%
<i>One time Stimulus resources</i>		550,635							0			
<i>Other restricted resources</i>		1,323,104				1,319,815			1,269,908			
Assigned	1,217,697	345,670	1,563,367	4.7%	1,231,359	345,670	1,577,029	4.8%	782,443	345,670	1,128,113	3.4%
<i>Exceptional Maintenance</i>	225,000				225,000				×			
<i>Special Ed (NPS)</i>	150,000				150,000				150,000			
<i>Excess Taxes Basic Aid</i>	842,697			2.5%	856,359			2.6%	632,443			1.9%
<i>OPEB (from closing Fund 68)</i>		345,670		1.0%		345,670		1.1%		345,670		1.0%
<b>Available Reserves (1)</b>	<b>2,634,892</b>		<b>2,634,892</b>	<b>7.9%</b>	<b>1,480,771</b>		<b>1,480,771</b>	<b>4.5%</b>	<b>1,015,711</b>		<b>1,015,711</b>	<b>3.1%</b>
<i>Reserve for Economic Uncertainties</i>	997,000		997,000	3.0%	986,000		986,000	3.0%	994,000		994,000	3.0%
<i>Unassigned/Uappropriated Amount</i>	1,637,892		1,637,892	4.9%	494,771		494,771	1.5%	21,711		21,711	0.1%

In 2024-25, no more restricted balance from One time Stimulus resources.

In 2025-26, exceptional maintenance projects may be funded by Fund 35 (School Facilities).

# MYP - 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

# Resolution, adopted with 1st interim

- Budget reductions of \$1,200,000
- A committee will recommend possible solutions
- Trustees determined to maintain a reserve of approximately 17% in accordance with recommendations of the Government Finance Officers Association
- Budget solutions will achieve full or substantial alleviation of the district's deficit spending

# Resolution Illustration

	SCENARIO 1 (not an option)			SCENARIO 2			SCENARIO 3		
	2023-24	2024-25	2025-26	2023-24	2024-25	2025-26	2023-24	2024-25	2025-26
Revenue	32,129,000	31,172,000	32,163,000	32,129,000	31,172,000	32,163,000	32,129,000	31,172,000	32,163,000
Expenditures	33,217,000	33,383,000	33,756,000	33,217,000	32,866,000	33,127,000	33,217,000	32,783,000	32,556,000
Net	-1,088,000	-2,211,000	-1,593,000	-1,088,000	-1,694,000	-964,000	-1,088,000	-1,611,000	-393,000
<b>Ending Balance</b>	<b>6,075,000</b>	<b>3,864,000</b>	<b>2,271,000</b>	<b>6,075,000</b>	<b>4,381,000</b>	<b>3,417,000</b>	<b>6,075,000</b>	<b>4,464,000</b>	<b>4,071,000</b>
<i>Restricted Reserve</i>			1,270,000			1,270,000			1,270,000
<i>Assigned Reserve</i>			1,355,000			1,130,000			1,130,000
<b>Available Reserve</b>			<b>-354,470</b>			<b>1,017,000</b>			<b>1,670,530</b>
<b>Reserve % of expenses</b>			<b>-1.1%</b>			<b>+3.1%</b>			<b>+5.1%</b>

## Scenario 1: Do nothing

Available reserve in Y3 is negative by 1.1%

## Scenario 2: First Interim submission

- About \$600K placeholder cuts (\$500K in 2024-25 and \$100K in 2025-26)
- \$225K of reduction of assigned reserve

Available reserve in Y3 is at 3.1%

## Scenario 3: Mockup

- \$1,200K placeholder cuts (Equal split between 2024-25 and 2025-26)
- \$225K of reduction of assigned reserve

Available reserve in Y3 is at 5.1% (if all cuts take place in 2024-25, the reserve in Y3 would be at 7.2%)

# Questions?