



2nd Interim Budget Report March 5, 2024

Ryland | SCHOOL BUSINESS
CONSULTING

- ▶ Sierra-Plumas JUSD and Sierra COE

Agenda

- ▶ State Budget Cycle
- ▶ Objective of Second Interim Report
- ▶ General Fund Revenues
- ▶ General Fund Expenditures
- ▶ Other Funds
- ▶ Budget and Multi-Year Projection (MYP)
 - ▶ Current Year Assumptions
 - ▶ Multi-Year Assumptions
- ▶ Second Interim Certification
- ▶ Next Steps



Acronyms

- ▶ AB1200 – Assembly Bill 1200 (1992)
- ▶ ADA – Average Daily Attendance
- ▶ COE – County Office of Education
- ▶ COLA – Cost of Living Adjustment
- ▶ ELOP – Expanded Learning Opportunitites Program
- ▶ LAO – Legislative Analyst Office
- ▶ LCFF – Local Control Funding Formula
- ▶ LEA – Local Educational Agency
- ▶ MYP – Multi-Year Projection
- ▶ PERS – Public Employee Retirement System (CalPERS)
- ▶ SE/SPED – Special Education
- ▶ STRS – State Teachers Retirement System (CalSTRS)
- ▶ UTK – Universal Transitional Kindergarten

State Budget Process Continuum

- ▶ January
 - ▶ Governor's proposed budget for budget year
- ▶ February
 - ▶ Legislative Analyst review with comments
- ▶ April
 - ▶ Statutory COLA recalculated
- ▶ May
 - ▶ "May Revise" reflects tax adjustments
- ▶ June 15 (or later)
 - ▶ Final adopted State budget
 - ▶ COLAs, "gap" funding
 - ▶ Potential additional programs, or funding changes
- ▶ November
 - ▶ Legislative Analyst Report (LAO Report)
 - ▶ Projections for next year based on tax collections and economic predictors
- ▶ January
 - ▶ Governor's proposed budget for next budget year...



US Economic Risks

- ▶ District costs for energy, fuel, food and construction supplies are all increasing at a fast rate
 - ▶ Districts are struggling with keeping their cafeteria program in balance
- ▶ From cfo.com in December
 - ▶ CFO confidence in the economy remains shaky
 - ▶ Nearly 1/3 of 350 CFOs surveyed said a recession is highly likely
 - ▶ 3/4 surveyed expressed hesitations about the economy's trajectory over the next 6-12 months
 - ▶ More than half surveyed said they are reducing nonessential expenses
- ▶ Looking ahead: labor shortage, monetary policy, cybersecurity

Objective of Interim Reports

- ▶ The Second Interim is as of January 31st
- ▶ Projects financial activity through June 30th
 - ▶ Actual activity through January 31st
- ▶ The Second Interim Report contains the following:
 - ▶ Detailed Budget
 - ▶ Multi-Year Projections
 - ▶ Cash Flow Projections
- ▶ Board must approve certification of financial condition
 - ▶ Positive: Able to meet financial obligations for the current and two subsequent fiscal years
 - ▶ Qualified: May not be able to meet its financial obligations for the current fiscal year or two subsequent fiscal years
 - ▶ Negative: Unable to meet its financial obligations for the current fiscal year or subsequent fiscal year

State Budget and the Economy

- ▶ 2023-24 COLA of 8.22% for LCFF dollars
 - ▶ Funding increases for other pots of money?
 - ▶ Lottery – n/a
 - ▶ Mandated Block Grant – 0 increase
 - ▶ Categorical programs – some get a COLA
- ▶ Continued Funding for
 - ▶ LCFF
 - ▶ Other ongoing SE, UTK, ELOP, Universal Meals
- ▶ Arts and Music Funding (Prop 28)
 - ▶ Spending starts this year
 - ▶ Rules and audit requirements not yet finalized



State Budget

- ▶ Learning Recovery Emergency Block Grant (LREBG)
 - ▶ Reduced 14%
 - ▶ For 2024-25, new restrictions on spending
- ▶ Attendance Recovery & Instructional Continuity
- ▶ End of one-time dollars
 - ▶ Maximize use of 1x dollars this year to cover 1x needs
 - ▶ Facilities and maintenance needs, cover one-time salary increases
- ▶ Pension Obligations
 - ▶ No relief from State

Identify Key Factors for Sierra Plumas

- ▶ Enrollment and ADA Projections
- ▶ LCFF Changes

Description	2023-24	2024-25	2025-26
LCFF COLAs (23-24 Enacted Budget)	8.22%	3.94%	3.29%
LCFF COLAs (23-24 First Interim)	8.22%	3.94%	3.29%
LCFF COLAs (23-24 Second Interim)	8.22%	0.76%	2.73%

- ▶ COLA increase on 72% of revenue
 - ▶ Leaving 28% of the budget restricted or flat to cover escalating costs
- ▶ LCFF Unduplicated Pupil Count 42% (per CALPADS 1.17 report)
- ▶ One-time Funds
 - ▶ Arts, Music and Instructional Materials Block Grant
 - ▶ Learning Recovery Emergency Block Grant
- ▶ Expiring One-time Funds
 - ▶ Need a plan to discontinue costs or find alternate funding
- ▶ New Funding
 - ▶ Arts and Music Education Funding (Prop 28)

Other Revenue Assumptions

- ▶ Projected ADA
 - ▶ Current year actual 358.58
 - ▶ Funded (prior 3-year average) ADA 380
- ▶ Lottery - Unrestricted \$177/ADA and Restricted \$72/ADA
- ▶ Mandated Cost Block Grant remains at \$37.63 per ADA for K-8 and \$72.49 for 9-12
- ▶ Transitional Kindergarten add-on of \$3,044 per TK ADA
- ▶ No additional COVID funding, however all carryover funds will be utilized in the timelines set forth by granting governments
- ▶ Federal Forest Reserve funding has been renewed in 2023-24, and the two subsequent fiscal years



Prop 30 (EPA) SPJUSD

- ▶ K-14 general purpose funds must be utilized for instructional purposes
 - ▶ These dollars are part of LCFF State Aid, not in addition

Education Protection Account (EPA)	
Fiscal Year Ending June 30, 2024	
Beginning Balance	\$ 34,046
Actual EPA Revenues:	
Estimated EPA Funds	\$ 78,732
Actual EPA Expenditures:	
Certificated Instructional Salaries	\$ 112,778
Balance	\$ -

Prop 30 (EPA) SCOE

- ▶ K-14 general purpose funds must be utilized for instructional purposes
 - ▶ These dollars are part of LCFF State Aid, not in addition

Education Protection Account (EPA)	
Fiscal Year Ending June 30, 2024	
Beginning Balance	\$ 377,681
Actual EPA Revenues:	
Estimated EPA Funds	\$ 216,634
Actual EPA Expenditures:	
Certificated Instructional Salaries	\$ 594,315
Balance	\$ -



Expenditure Assumptions

- ▶ Salary and benefits budgets include step movement and salary settlements
- ▶ Restricted expenditure budgets have been adjusted to fit within the available resources
- ▶ STRS rate of 19.10% and PERS rate of 26.68%

Sierra-Plumas JUSD 2nd Interim Budget

- ▶ Unrestricted deficit spending includes one-time contribution to cover a receivable from 21-22 and a final transfer to Fund 40 for capital projects
- ▶ Restricted budget fully spends down fund balances

2nd Interim 2023-24			
Description	Unrestricted	Restricted	Total
Total Revenues	6,979,626	1,670,876	8,650,502
Total Expenditures	7,010,661	3,836,977	10,847,638
Excess/(Deficiency)	(31,035)	(2,166,101)	(2,197,136)
Other Sources/Uses	(856,041)	444,988	(411,053)
Net Increase/(Decrease)	(887,076)	(1,721,113)	(2,608,189)
Add: Beginning Fund Balance	3,252,487	1,721,113	4,973,600
Ending Fund Balance	2,365,411	0	2,365,411

Sierra COE 2nd Interim Budget

- ▶ Unrestricted budget is balanced and restricted budget reflects spend down of restricted fund balances

2nd Interim 2023-24			
Description	Unrestricted	Restricted	Total
Total Revenues	2,184,621	1,356,640	3,541,261
Total Expenditures	1,673,417	2,236,224	3,909,641
Excess/(Deficiency)	511,204	(879,584)	(368,380)
Other Sources/Uses	(288,301)	334,301	46,000
Net Increase/(Decrease)	222,903	(545,283)	(322,380)
Add: Beginning Fund Balance	6,123,018	840,569	6,963,587
Ending Fund Balance	6,345,921	295,286	6,641,207

Comparison 1st Interim to 2nd Interim Budget District

	First Interim 2023-24			Second Interim 2023-24			Change Since First Interim			Note
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	
Revenue										
General Purpose	6,256,194	0	6,256,194	6,214,678	0	6,214,678	(41,516)	0	(41,516)	1
Federal Revenue	341,000	605,456	946,456	341,000	608,666	949,666	0	3,210	3,210	
State Revenue	79,071	862,014	941,085	79,071	628,724	707,795	0	(233,290)	(233,290)	2
Local Revenue	268,000	433,486	701,486	344,877	433,486	778,363	76,877	0	76,877	3
Total Revenue	6,944,265	1,900,956	8,845,221	6,979,626	1,670,876	8,650,502	35,361	(230,080)	(194,719)	
Expenditures										
Certificated Salaries	2,355,705	698,141	3,053,846	2,509,676	736,380	3,246,056	153,971	38,239	192,210	4
Classified Salaries	820,234	304,325	1,124,559	816,998	315,602	1,132,600	(3,236)	11,277	8,041	4
Benefits	1,535,313	660,108	2,195,421	1,592,953	649,256	2,242,209	57,640	(10,852)	46,788	4
Books and Supplies	305,954	674,940	980,894	308,233	672,112	980,345	2,279	(2,828)	(549)	
Other Services & Oper. Expen	1,796,130	1,271,613	3,067,743	1,487,374	1,171,481	2,658,855	(308,756)	(100,132)	(408,888)	5
Capital Outlay	275,000	84,241	359,241	351,872	129,990	481,862	76,872	45,749	122,621	6
Other Outgo 7xxx	104,450	0	104,450	104,450	0	104,450	0	0	0	
Transfer of Indirect 73xx	(169,100)	169,100	0	(160,895)	162,156	1,261	8,205	(6,944)	1,261	
Total Expenditures	7,023,686	3,862,468	10,886,154	7,010,661	3,836,977	10,847,638	(13,025)	(25,491)	(38,516)	
Deficit/Surplus	(79,421)	(1,961,512)	(2,040,933)	(31,035)	(2,166,101)	(2,197,136)	48,386	(204,589)	(156,203)	
Other Sources/(uses)	0	0	0	0	0	0	0	0	0	
Transfers in/(out)	(411,053)	0	(411,053)	(411,053)	0	(411,053)	0	0	0	
Contributions to Restricted	(240,399)	240,399	0	(444,988)	444,988	0	(204,589)	204,589	0	7
Net increase (decrease) in Fund Balance	(730,873)	(1,721,113)	(2,451,986)	(887,076)	(1,721,113)	(2,608,189)	(156,203)	0	(156,203)	
Beginning Balance	3,252,487	1,721,113	4,973,600	3,252,487	1,721,113	4,973,600	0	0	0	
Ending Balance	2,521,614	0	2,521,614	2,365,411	0	2,365,411	(156,203)	0	(156,203)	
Revolving/Stores/Prepays	3,400		3,400	3,400		3,400	0	0	0	
Reserve for Econ Uncertainty	1,410,000		1,410,000	1,407,000		1,407,000	(3,000)	0	(3,000)	
Restricted Programs	0	0	0	0	0	0	0	0	0	
Commitments - OPEB	304,040		304,040	348,770		348,770	44,730	0	44,730	
Unappropriated Fund Balance	804,174	0	804,174	606,241	0	606,241	(197,933)	0	(197,933)	
<i>Unappropriated Percent</i>			7.4%			5.6%			513.9%	

Explanation of Changes Since 1st Interim District

Notes:							
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¹ Adjusted LCFF to tie to State apportionment schedule

² Balanced restricted revenue to award letters

³ Additional local revenue identified since 1st Interim.

⁴ Reflects salary settlements, net of balancing budget to position control, removing vacancy savings

⁵ Balanced restricted expenditures to available revenues

⁶ Increased budget for capital expenditures to cover purchase orders

⁷ Increased contribution to cover grant that was accrued as a receivable in 2021-22 but was never awarded by CDE

Comparison 1st Interim to 2nd Interim Budget SCOE

	First Interim 2023-24			Second Interim 2023-24			Change Since First Interim			Note
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	
Revenue										
General Purpose	1,695,310	0	1,695,310	1,695,310	0	1,695,310	0	0	0	
Federal Revenue	0	181,513	181,513	0	181,513	181,513	0	0	0	
State Revenue	7,116	1,090,137	1,097,253	4,951	1,087,795	1,092,746	(2,165)	(2,342)	(4,507)	
Local Revenue	420,000	9,000	429,000	484,360	87,332	571,692	64,360	78,332	142,692	1
Total Revenue	2,122,426	1,280,650	3,403,076	2,184,621	1,356,640	3,541,261	62,195	75,990	138,185	
Expenditures										
Certificated Salaries	378,032	331,423	709,455	401,165	349,153	750,318	23,133	17,730	40,863	2
Classified Salaries	458,095	300,986	759,081	411,651	282,016	693,667	(46,444)	(18,970)	(65,414)	2
Benefits	474,455	376,576	851,031	416,463	360,656	777,119	(57,992)	(15,920)	(73,912)	2
Books and Supplies	31,176	164,884	196,060	33,505	96,187	129,692	2,329	(68,697)	(66,368)	3
Other Services & Oper. Expenses	410,789	936,042	1,346,831	433,092	886,250	1,319,342	22,303	(49,792)	(27,489)	3
Capital Outlay	110,000	102,863	212,863	110,000	102,863	212,863	0	0	0	
Other Outgo 7xxx	24,428	25,000	49,428	24,428	25,000	49,428	0	0	0	
Transfer of Indirect 73xx	(113,329)	113,329	0	(156,887)	134,099	(22,788)	(43,558)	20,770	(22,788)	3
Total Expenditures	1,773,646	2,351,103	4,124,749	1,673,417	2,236,224	3,909,641	(100,229)	(114,879)	(215,108)	
Deficit/Surplus	348,780	(1,070,453)	(721,673)	511,204	(879,584)	(368,380)	162,424	190,869	353,293	
Other Sources/(uses)	71,908	0	71,908	46,000	0	46,000	(25,908)	0	(25,908)	
Transfers in/(out)	0	0	0	0	0	0	0	0	0	
Contributions to Restricted	(229,884)	229,884	0	(334,301)	334,301	0	(104,417)	104,417	0	4
Net increase (decrease) in Fund Balance	190,804	(840,569)	(649,765)	222,903	(545,283)	(322,380)	32,099	295,286	327,385	
Beginning Balance	6,123,018	840,569	6,963,587	6,123,018	840,569	6,963,587	0	0	0	
Ending Balance	6,313,822	0	6,313,822	6,345,921	295,286	6,641,207	32,099	295,286	327,385	
Revolving/Stores/Prepays	4,500	0	4,500	3,400	0	3,400	(1,100)	0	(1,100)	
Reserve for Econ Uncertainty	160,000	0	160,000	528,000	0	528,000	368,000	0	368,000	
Restricted Programs	0	0	0	0	295,286	295,286	0	295,286	295,286	
Commitments - OPEB	0	0	0	388,139	0	388,139	388,139	0	388,139	
Unappropriated Fund Balance	6,149,322	0	6,149,322	5,426,382	0	5,426,382	(722,940)	0	(722,940)	
<i>Unappropriated Percent</i>				<i>149.1%</i>		<i>138.8%</i>				



Explanation of Changes Since 1st Interim SCOE

Notes:							
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¹ Additional local revenues since first interim

² Reflects salary settlements, net of balancing budget to position control, removing vacancy savings

³ Balanced restricted revenue to award letters and adjusted expenditures to be within the funding sources

⁴ Increased contribution to cover salary increases and spending over budget.

MYP Assumptions

- ▶ Future LCFF Funding Factors:
 - ▶ Estimate the per pupil amount to increase by 0.76% and 2.73% (Dept of Finance Statutory COLA) for 24-25 and 25-26, respectively
 - ▶ Funded ADA to follow trend of declining enrollment
- ▶ One-time revenues and related expenditures are removed in future years
- ▶ Step & column increases are included for certificated and classified staff
- ▶ Pension (STRS & PERS)
 - ▶ STRS is estimated to remain at 19.10% through 2025-26
 - ▶ PERS is estimated to increase by 1.02% in 2024-25 and increase again by 0.6% in 2025-26 to 28.30%.
- ▶ H&W is estimated to remain relatively constant since there is a cap on benefits
- ▶ Other expenditures are assumed to remain relatively constant

SPJUSD Multi-Year Projections

Multi-Year Projection (Total GF)			
Description	2nd Interim 2023-24	Projected 2024-25	Projected 2025-26
Total Revenues	8,650,502	7,562,898	7,636,258
Total Expenditures	10,847,638	7,653,472	7,651,056
Excess/(Deficiency)	(2,197,136)	(90,574)	(14,799)
Other Sources/Uses	(411,053)	(111,053)	(111,053)
Net Increase/(Decrease)	(2,608,189)	(201,627)	(125,852)
Add: Beginning Fund Balance	4,973,600	2,365,411	2,163,784
Ending Fund Balance	2,365,411	2,163,784	2,037,932

Sierra COE Multi-Year Projections

Multi-Year Projection (Total GF)			
Description	2nd Interim 2023-24	Projected 2024-25	Projected 2025-26
Total Revenues	3,541,261	3,471,572	3,471,572
Total Expenditures	3,909,641	3,699,042	3,455,893
Excess/(Deficiency)	(368,380)	(227,470)	15,679
Other Sources/Uses	46,000	46,000	46,000
Net Increase/(Decrease)	(322,380)	(181,470)	61,679
Add: Beginning Fund Balance	6,963,587	6,641,207	6,459,737
Ending Fund Balance	6,641,207	6,459,737	6,521,417



Other Funds of the District

- ▶ All are restricted for the specific purposes of the fund
- ▶ District

Fund		Beginning Fund Balance June 2023	Budgeted Net Change	Projected Fund Balance June 2024
01	General (Unrestricted and Restricted)	\$4,973,600	(\$2,608,189)	\$2,365,411
13	Cafeteria	\$0	\$0	\$0
40	Special Reserve for Capital Outlay	\$787,628	(\$763,017)	\$24,611
73	Foundation	\$739,736	\$11,766	\$751,502

- ▶ COE

Fund		Beginning Fund Balance June 2023	Budgeted Net Change	Projected Fund Balance June 2024
01	General (Unrestricted and Restricted)	\$6,963,587	(\$322,380)	\$6,641,207
11	Adult Ed	\$290,033	(\$290,033)	\$0
16	Forest Reserve	\$0	\$0	\$0



Cash Flow

- ▶ As a result of deficit spending and dwindling reserves, there can be months where the general fund reflects negative cash balances (districts pay their bills faster than property taxes come in)
 - ▶ This is why districts, especially those that are deficit spending, must maintain larger fund balances than the meager state 4% minimum. **Larger reserves lead to larger cash balances.**
- ▶ Neither the District or COE are projected to run out of cash this fiscal year
 - ▶ In a year with cash challenges, the District can cover short-term cash deficits with a County- provided TAN (Tax Revenue Note) or issue a TRAN (Tax Revenue Anticipation Note)

County Office Oversight



- ▶ County offices of education are responsible for the fiscal oversight of districts within their jurisdiction (AB1200)
 - ▶ School district budgets and interim reports must contain a three-year financial projection – current year plus two
 - ▶ County offices are charged with approving or disapproving district budgets
 - ▶ Districts must share potential salary settlements with the COE
 - ▶ At interim reporting periods, the COE either concurs or changes a district's certification of their financial projection
- ✓ Since there is only one district in the county, the CDE acts as our COE
- ▶ We have had a conversation with our contacts at CDE and they understand the changes that will be shared with the 2nd interim report

Second Interim Certification

- ▶ Per California Education Code 42131(a)(1)
- ▶ *The Second Interim projection for the District indicates that, as defined in AB 1200, “the district **will be** able to meet its financial obligations for the current fiscal year and subsequent two years.”*

➤ **The District is self-certifying as “Positive”**

➤ **The SCOE is also self-certifying “Positive”**



Risks in the Governor's Budget Proposal

- ▶ This is a preliminary proposal and will change. The Governor's proposal will be updated in May, called the May Revise.
- ▶ Risks already identified by the Legislative Analyst's Office (LAO)
 - ▶ Inflation and interest rates
 - ▶ Below-projected cash receipts
 - ▶ Possible recession
 - ▶ Continuing supply chain issues
 - ▶ Cuts to current year program(s)
 - ▶ Rising pension costs



Facilities Items for Follow Up

- ▶ Identify costs for past projects and remaining funds available for future projects
 - ▶ Amount paid for bus repairs in last two years
 - ▶ Total amount for the new bleacher project at Loyalton HS
 - ▶ The cost for the new phone system
 - ▶ Wiring work done at Downieville School to help with the internet connection there



Next Steps

- ▶ While the District self-certified “Qualified” at 1st interim, now that planned expenditure reductions are reflected in the budget, and a review to maximize the use of one-time and restricted dollars has been completed, the second interim report and MYP have a more “positive” outlook
- ▶ Budget development begins now
- ▶ Public hearings on the 2024-25 LCAP and Proposed Budget go to the board early June
- ▶ Adoption of LCAP and Budget scheduled by June 30



Questions?

