

ARCADIA UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION MEETING

DATE: May 26, 2020

TO: Board of Education

FROM: David Vannasdall, Superintendent

SUBJECT: 2020-2021 MAY REVISE AND BUDGET UPDATE INCLUDING
ASSUMPTIONS, ENHANCEMENTS, AND REDUCTIONS

PRESENTED BY: Dierk Esseln, Assistant Superintendent, Business Services

SUMMARY OF INFORMATION

The 2020-21 Governor's Proposed State Budget serves as the basis for the school district budgets for 2020-21 and developing multi-year projections for 2021-22 and 2022-23. Due to the significant economic impact from the COVID-19 pandemic, the proposal reflects decreases to the January Budget including a negative Cost of Living Adjustment (COLA) to the Local Control Funding Formula (LCFF).

As in the previous budget year, the District is required to develop a Local Control and Accountability Plan (LCAP) that incorporates State interests and local priorities. This plan will be developed in conjunction with the District's budget due to the State requirement that the budget include the funds necessary to implement the LCAP.

District administration will be presenting to the Board a 2020-21 State budget update as reflected in the Governor's May Revision.

Based on the Governor's Proposed Budget in January, the May Revision, the District's LCAP, and other information available, the Arcadia Unified School District has updated the assumptions to be used for the District's 2020-21 Budget. All the assumptions listed in the report are based on information to date and are subject to change as additional information becomes available throughout the budget process.

Also attached are the updated Budget Enhancements for 2020-21. The enhancements proposed are classified as one-time or on-going, new or previous, and allocated by General Fund, Unrestricted and Restricted, and Other Funds. The proposed enhancements include increases due to additional positions, negotiated increases, and increase in program costs (identified as actions in the District's LCAP).

Lastly, included in the board item are summaries of the Unrestricted General Fund On-Going Revenues and Expenditures, and multi-year apportionments and disbursements of the One-Time Funds for Outstanding Mandate Claims.

PREPARED BY: David Vong, Director of Fiscal Services

Attachment

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Arcadia Unified School District

2020-21 BUDGET GUIDELINES AND ASSUMPTIONS

As of ~~April 28~~ May 26, 2020

The following guidelines and assumptions are being used to project income, expenditures, transfers, and reserve amounts for the budget. Subsequent adjustments will be made as additional information becomes available.

General Guidelines

1. Under the Local Control and Accountability Plan (LCAP) planning process, District staff (with input from District stakeholders) developed a plan to address District and community priorities as well as State interests. The plan includes both projected financial resource needs for the 2020-21 budget year and tentative needs for the following two years, 2021-22 and 2022-23. Resource needs identified in the plan are incorporated into the budget and the two subsequent years' projections unless otherwise indicated in these assumptions. The plan is subject to amendment as knowledge and learning grows and as events or financial constraints may require.

Enhancements connected with these assumptions include both increases reflected in the LCAP and other increases identified during the budget development process.

2. The District is required to align expenditures with anticipated revenues for the budget year and the next two years. For revenue projections, the District developed its 2020-21 projection with the Fiscal Crisis & Management Assistance Team (FCMAT) Local Control Funding Formula (LCFF) tool. For subsequent years, COLA only increases are assumed. If revenue projections and reserves appear inadequate to support potential expenditures for the three years, then adjustments or deferrals of expenditures will be necessary to balance projections.
3. Total District enrollment is expected to decline slightly, at a rate of less than one tenth of one percent for the budget and following two years, or an average of about ten students per year. Staffing adjustments between grade levels and sites may be necessary. Teacher staffing ratios have been developed to carry out Board Policy and collective bargaining agreements. For TK-3 classes, the class size average maximum is budgeted at 26 to 1 at each site and is contingent on continued LCFF funding. This agreement is ongoing and provides the District maximum flexibility in staffing and protects the additional dollars we receive for the TK-3 GSA under the LCFF.
4. The budget includes a General Fund reserve for Economic Uncertainty of no less than 3% of the amount budgeted as General Fund Expenditures.
5. All other funds, such as the Building, State School Building, Cafeteria, Deferred Maintenance, Special Reserves, and Developer Fee Funds are included in the proposed adopted budget document.
6. Under LCFF accounting and budgeting rules, The Home-to-School Transportation and

Special Education Transportation programs are to be accounted for in the unrestricted portion of the General Fund budget. Accordingly, these programs continue to reside in the Unrestricted General Fund.

Revenue

1. **LCFF Funding** – For purposes of these revenue projections, the following COLA estimates are used in the LCFF calculation. The Actual % Increase below represents the percent change in total LCFF revenue.

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
COLA	3.26 %	2.29 % -7.92 %	2.71 % 0.00 %	2.82 % 0.00 %
Actual % Increase	2.47 %	1.20 % -8.89 %	2.37 % -0.37 %	3.05 % 0.25 %

The projections assume that District enrollment will decline slightly from the 2019-20 level of 9,254.

2. **LCFF Supplemental Allocation** – Unduplicated English learners, free and reduced meal eligible students, and foster youth represent about 33% of the District’s students. Under the provisions for LCFF funding, the District is required to dedicate about 6.1% of LCFF funding to supplemental services to these students over and above the base program offered to all students. The LCAP plan tentatively identifies services to these students over and above the base program offered to all students.
3. **Education Protection Account (EPA) Transparency** – One funding source for LCFF is the increased tax revenues resulting from the temporary increases approved by the voters in Proposition 30 in 2012, and extended through Proposition 55 in 2016. The transparency provisions of that initiative require the State to allocate these funds separately to school districts for LCFF funding. Districts are then required to designate what expenditures these funds are used for and to report to their communities the amounts received and how they were spent. For the 2020-21 fiscal year, the District is expected to receive about \$3.4 million. These funds will be expended on the regular salary and benefits for teachers. The use of these funds will be discussed at a Board meeting open to the public and posted on the District’s website.
4. **Mandated Cost Reimbursements** – The budget will not include new One-time Discretionary Funds. The District plans to use the One-time Discretionary Funds balance carried over from prior years to fund three Focus Area Coaches, provide Restorative Practices and other training, and support Strategy and Innovation initiatives (Note: the three coaching positions are reviewed each year as part of the budget development process).

For the Mandate Block Grant, the District will receive \$~~32.3~~³/ADA for Grades K-8 and \$~~62.3~~³/ADA for Grades 9-12. The State has not yet paid for all past mandates due to districts and it is not anticipated that any funding for these past mandates owed by the State will be received in 2020-21.

5. **Parcel Tax** – In March 2017, the voters of Arcadia approved a parcel tax to assist the District in funding quality education programs for the youth of our community. This generates approximately \$4.3 million in additional funding each year for 18 years, with the 2020-21 fiscal year being the fourth year. This funding will continue to be used to offset salaries and benefits for 28 teachers and three counselors in the budget year.
6. **AEF Support** – For 2020-21, AEF continues to fund counseling services for Arcadia Unified School District students, including the District-wide phone and text communication system so that school officials can communicate with parents in a timely and convenient manner.
7. **Special Education** – Revenues projected for 2020-21 are 15% higher relatively flat compared to the previous year. Per ADA funding increases from \$557 to \$645. The additional on-going Special Education funding included in the Governor's January Budget Proposal has carried through to the May Revise. This underlines the State Administration's commitment to increasing Special Education resources. not been reflected in the budget due to the recent and expected economic impact of COVID-19. Experts anticipate new programs and funding initially planned for 2020-21 will likely be deferred. Cost increases and enhancements will continue to be funded by increased General Fund contributions.
8. **Lottery** – Funding is based on annual ADA. Lottery revenues of \$207/ADA are projected and will be budgeted (\$153 unrestricted and \$54 for the Proposition 20 restricted funds) for 2020-21. This level of funding is consistent with the Lottery projections of the California Department of Education.
9. **CTE/ROP** – For 2020-21, under the Career Technical Education (CTE) component of the LCFF funding, State funding for the program continues to be provided to the District through the LCFF funding model. In 2020-21, the District plans to continue to fund CTE classes during the school day using LCFF CTE and CTE Incentive Grant (described below) funds. The District continues to review the program and its expenditures.

The District has applied for the CTE Incentive Grant, which is one-time funding. The award amount for the 2020-21 school year is anticipated to be ~~\$288,000~~ \$144,000. The District is required to provide matching funds for the CTE program. For each \$1 received from the grant, the District is required to provide a \$2 match.
10. **Federal Categorical Programs** – Revenues are based upon 2019-20 award levels, while also taking into account any known or anticipated reductions to programs such as Title I and II. Adjustments will be budgeted when notices of the actual awards are received.
11. **Local Gifts and Grants** – Local and community gifts and grants are not budgeted and expended until received. The only exception to this is the District Parcel Tax.

Expenditures

1. New expenditures identified in the LCAP have been included in the budget enhancements.

2. Funds are made available in the budget to support current collective bargaining commitments. Reductions and/or additional funds are not budgeted for salaries/benefits (i.e., health and welfare) subject to collective bargaining. Salaries include normal step/column movement, unless otherwise negotiated. Staffing is adjusted to reflect enrollment. The Enhancement List includes costs associated with the negotiated agreement to extend the school year by three additional days to aid in the continued implementing of State Curriculum Standards. Costs associated with these additional days are currently under negotiations for 2021-22 and will reflect the final agreement.
3. Vacant positions are projected at the average salary level for a new hire. For example, teacher vacancies are budgeted at Range 4 Step 5.
4. The California Minimum Wage will increase to \$14.00 beginning January 2021, an increase of \$1.00 over our current rate. Senate Bill 3 (SB 3) will eventually raise the statewide minimum wage to \$15.00 per hour by 2022 by increasing the minimum wage \$1.00 per year. This increase primarily affects student workers in Special Education and Nutrition Services.
5. ~~California school districts (and employees) continue to face rising costs as the State continues to address the large unfunded liabilities in the~~ The State has redirected 2019 Budget funds paid to State Teachers Retirement System (STRS) and the Public Employees Retiree System (PERS) for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. For STRS, the Governor's plan would ~~increase-decrease~~ the employer rate for 2020-21 by ~~1.30~~ 0.95% to ~~18.40~~ 16.15%. For PERS, the increase would be ~~3.079~~ 0.98% to ~~22.80~~ 20.70% with projections of an increase to ~~25.90~~ 25.50% by 2022-23.
6. All statutory benefit rates will remain the same in 2020-21. OASDI will be 6.2%, Medicare 1.45%, Unemployment Insurance 0.05%, and Worker's Compensation will remain at 2.50%
7. Due to recent Accounting Standards, the District is now required to report its proportionate share of the CalSTRS' net pension liability. The STRS On-Behalf Contributions are budgeted as expenditures in a state restricted program, which also has budgeted offsetting revenue. The net change to fund balance is zero.
8. Provisions have been made for an orderly program to preserve the use and value of existing facilities and equipment through capital improvements and preventative maintenance.
9. Routine Restricted Maintenance – The District continues to contribute 3% of General Fund expenditures to the Routine Repair and Maintenance Account.
10. To maintain the funding of the District's Deferred Maintenance Program, a one percent contribution is budgeted directly from the Unrestricted General Fund.
11. Department supply and equipment budgets are budgeted at the same level as the prior year, unless the departments have requested increases indicated in the Enhancement List.

12. School allocations continue to be closely aligned with how the State of California funds the Arcadia Unified School District under the LCFF. The per student grade span allocation below reflects the proportion in which the District receives base grant allocations from the State. The base allocation is for all students, including Special Education students. Additional funds are allocated to sites for Proctors, Intervention, Visual Arts, Athletics, and Science and Health supplies.

	<u>E.S.</u>	<u>M.S.</u>	<u>H.S.</u>
Base	\$85.62	\$93.12	\$106.24

13. Allowances have been made for essential increases and/or decreases in the cost of services and supplies such as: gasoline, natural gas, electricity, insurance, water, postage, trash collection, telephone service, lease agreements, debt repayment, etc.
14. Unless there is formal approval by the Superintendent, all categorical and fee-based programs are self-supporting and include allocations for indirect costs.
15. Staffing increases included in the budget are outlined in the Enhancement List. Significant changes from prior year staffing or expenditure levels are reported in the proposed adopted budget document with explanatory comments.

Arcadia Unified Unrestricted General Fund

New On-Going Revenue & Expenditures

Description	2020-21
New On-going Revenue	
LCFF Revenue	(7,291,154)
Enrollment / ADA Change	(261,000)
Other	-
Total New Revenues	(7,552,154)
New On-going Expenditures	
Salary Increases (Includes Incr. to Restr. Prog.)	-
Step and Column (Includes Incr. to Restr. Prog.)	1,600,000
STRS Rate Increase (Includes Incr. to Restr. Prog.)	(526,000)
PERS Rate Increase (Includes Incr. to Restr. Prog.)	145,000
Health Benefit Increase (Includes Incr. to Restr. Prog.)	293,000
New Positions	314,000
Other On-going Enhancements	57,000
Total Expenditures	1,883,000
Revenue Over (Under) Expenditures	(9,435,154)
Prior Year Over/(Under) Balance	(7,607,301)
Cumulative Over/(Under) since LCFF Implementation	(17,042,454)

Arcadia Unified School District
One-Time Funds for Outstanding Mandate Claims

2020-21	Amount	Notes
Beginning Balance	4,809,028	
Disbursement	437,000	Three Focus Area Coaches - Year 6 of 7
	250,000	Strategy & Innovation Initiatives
	160,000	Visual & Performing Arts Services
	133,000	Library Services
	100,000	Restorative Practices
	82,000	0.6 FTE AHS Teacher on Special Assignment
	70,000	Intervention Program Supplement
	57,000	Middle School Math Intervention
	19,000	CPR Training. Year 5 of 5
TOTAL DISBURSED:	<u>1,308,000</u>	
Ending Balance	3,501,028	To be used for Instructional Materials and Staff Dev.

ARCADIA UNIFIED SCHOOL DISTRICT

BUDGET ENHANCEMENTS & REDUCTIONS 2020-21

GENERAL FUND – UNRESTRICTED

ON-GOING

New

1	\$720,000 -\$526,000	Governor's Budget proposes a increase decrease in employer STRS Retirement contribution rate by 1.30% -0.95% from 17.10% to 18.40% 16.15% for 2020-21.
2	\$440,000 \$145,000	Governor's Budget proposes an increase in employer PERS Retirement contribution rate by 2.96% 0.98% from 19.721% to 22.68% 20.70% for 2020-21. (Affects General and Food Service Funds).
3	\$1,600,000	Increase cost of Certificated and Classified salaries due to step and column.
4	\$299,000	2.0 FTE on-going Transition Counselors funding change from restricted to unrestricted General Fund.
5	\$293,000	\$400 health benefits cap increase. Negotiated with bargaining units in prior year.
6	\$88,000 \$43,000	Increase in 3% contribution to Routine and Restricted Maintenance due to the estimated increase in General Fund expenditures.
7	\$29,000 \$14,000	Increase in 1% contribution to Deferred Maintenance due to the estimated increase in General Fund expenditures.
8	\$15,000	Addition of three new Bus Drivers (0.5 FTE each) for Special Ed transportation, to replace existing contracted service. The enhancement reflects the total incremental cost after the offset in Special Ed contracted transportation services.
\$1,883,000		TOTAL ON-GOING & NEW

ON-GOING

Previous

\$0 **TOTAL ON-GOING & PREVIOUS**

\$1,883,000 **TOTAL ON-GOING GENERAL FUND UNRESTRICTED**

ONE-TIME

New

\$0 **TOTAL ONE-TIME & NEW**

ONE-TIME

Previous

9	\$840,000	Continue increase for Teacher salaries due to three added school days for Collaboration Days.
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**ARCADIA UNIFIED SCHOOL DISTRICT
BUDGET ENHANCEMENTS & REDUCTIONS 2020-21**

10	\$437,000	3.00 FTE Focus Area Coaches (year six of seven). To be reviewed each year due to being funded with One-Time Mandated Cost Reimbursement Funds.
11	\$250,000	Strategy and Innovation Budget. Funded with One-Time Outstanding Mandate Claims Funds.
12	\$160,000	Visual and Performing Arts services for Elementary Schools and Rancho Learning Center. Funded with One-Time Outstanding Mandate Claims Funds.
13	\$133,000	Library Services funded with One-Time Mandated Cost Reimbursement Funds.
14	\$107,000	Continue increase for Classified employee salaries due to three added school days for Collaboration Days.
15	\$100,000	Restorative Practices Implementation (year five of training) and other professional development.
16	\$82,000	0.60 FTE AHS Teacher on Special Assignment funded with One-Time Outstanding Mandate Claims Funds.
17	\$70,000	Intervention Services Supplement funded with One-Time Mandated Cost Reimbursement Funds (allocation based on enhancement in 2017-18).
18	\$57,000	0.51 FTE for Middle School Math Intervention to maintain the Geometry courses at each Middle School. Funded with One-Time Outstanding Mandate Claims Funds.
19	\$26,000	Continue increase for Pupil Services employee salaries due to three added school days for Collaboration Days.
20	\$19,000	CPR Training.
21	\$5,000	Elementary Schools support for proctor services provided by Think Together for 2020-21 school year funded with One-Time Mandated Cost Reimbursement Funds.
	\$2,286,000	TOTAL ONE-TIME & PREVIOUS
	\$2,286,000	TOTAL ONE-TIME GENERAL FUND UNRESTRICTED
	\$4,169,000	TOTAL GENERAL FUND UNRESTRICTED

**ARCADIA UNIFIED SCHOOL DISTRICT
BUDGET ENHANCEMENTS & REDUCTIONS 2020-21**

GENERAL FUND – RESTRICTED

ON-GOING

New

22	\$147,000	2.675 FTE for Instructional Aides and Licensed Vocational Nurses to support students with Individualized Education Programs.
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\$147,000	TOTAL ON-GOING & NEW
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ON-GOING

Previous

\$0	TOTAL ON-GOING & PREVIOUS
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\$147,000	TOTAL ON-GOING GENERAL FUND RESTRICTED
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ONE-TIME

New

\$0	TOTAL ONE-TIME & NEW
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ONE-TIME

Previous

23	\$180,000	Continuation of Leader-in-Me in 2020-21.
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\$180,000	TOTAL ONE-TIME & PREVIOUS
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\$180,000	TOTAL ONE-TIME GENERAL FUND RESTRICTED
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\$327,000	TOTAL GENERAL FUND RESTRICTED
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\$4,496,000	TOTAL GENERAL FUND
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