

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

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Assistance Team

# BASC Annual Conference

February 18, 2021

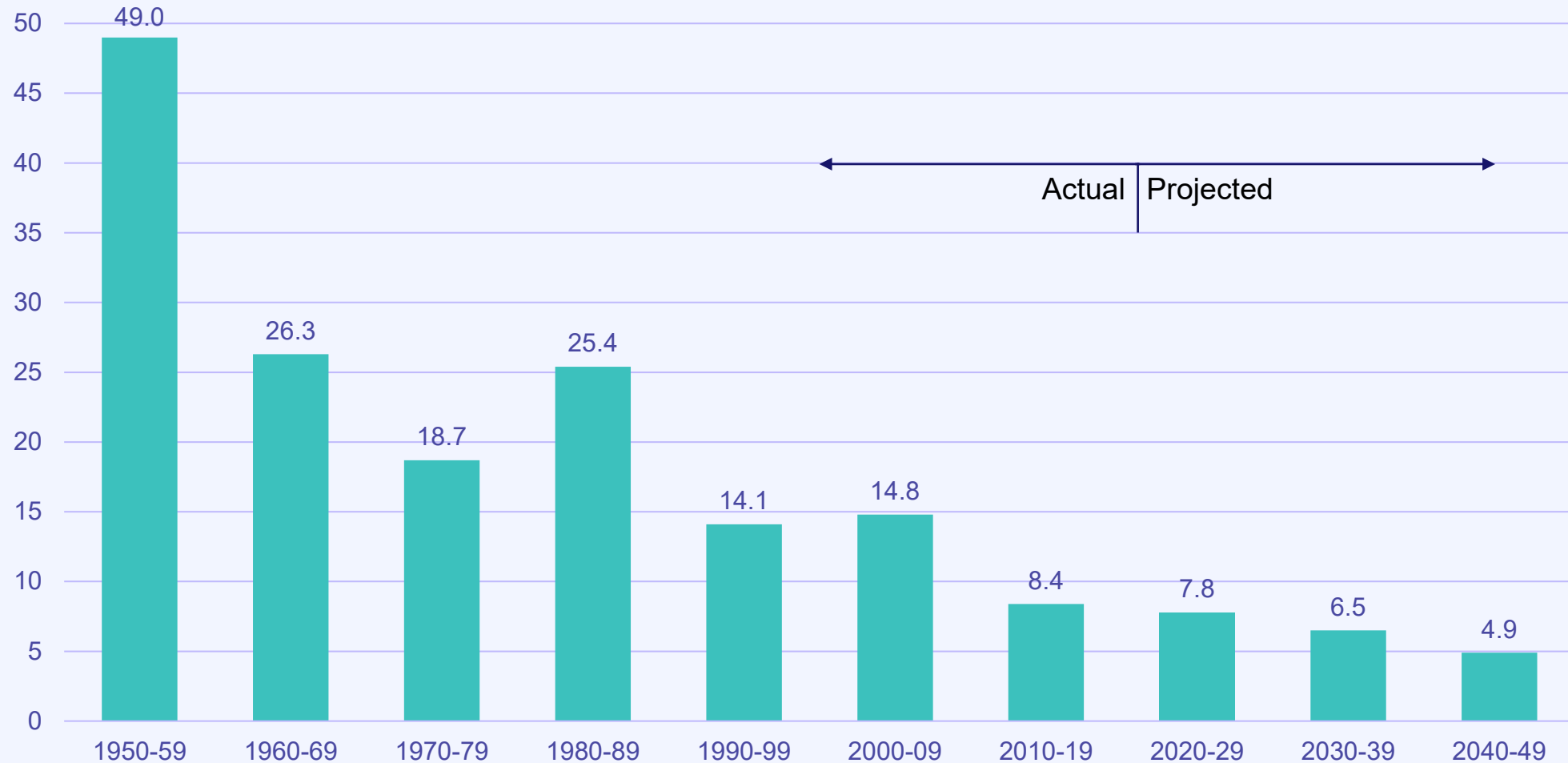
# Topics De Jour

- Declining Enrollment (again!)
- Proposed Budget
- Pandemic Relief Funding
- Supplemental and Concentration Carryover
- First Interim Status
- Second Interim Reviews
- Financial Metrics Project

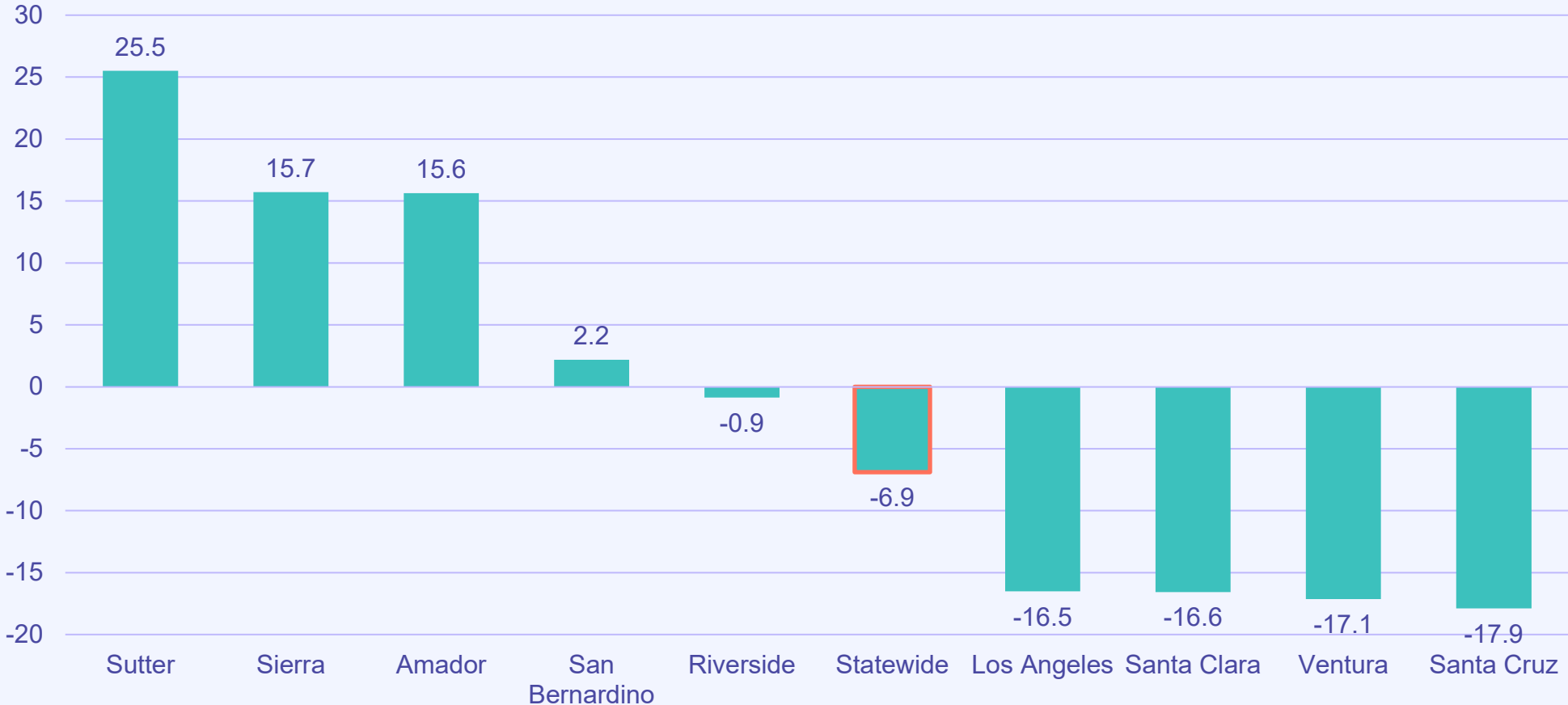
# Declining Enrollment Trends = Instability

- Over 60% of California's traditional public schools are experiencing declining enrollment
- Pandemic presents short term spikes in the decline, mainly at lower grades
  - First look at unofficial, pre-certification 2020-21 data:
    - One-year decline from 2019-20: 155,964, 2.5%
    - Approximately 60% is in transitional kindergarten / kindergarten
- Pandemic average daily attendance (ADA) hold harmless expires June 2021, traditional ADA hold harmless in play in 2021-22 (using higher 2019-20 ADA) creates significant impacts in 2022-23

# Percentage of Growth of California Population



# School Age Population Percentage of Change 2018-19 to 2028-29



# Declining Enrollment Basics

- Overall population rate of growth is declining
- Birthrates are declining
- School-age population is declining
- Special education students as a percentage of enrollment are increasing
- The severity of special education student needs are increasing
- Don't delay taking action at the first sign of a decline
- Pandemic TK/K impacts:
  - What grade will the student reenter?
  - What type of learning loss mitigation/intervention do you design for TK/K?
- Longer term impacts

# Proposed Budget – Dramatic Improvement

- Great budget! – balancing needs, uncertain economics and trade-offs
  - Dramatic difference from May/June and even November
- Funded Cost of Living Adjustment (COLA)
  - In 20 months we have gone from...
    - 3.26% to... 3.00% to... 1.79% to... 0% to...
    - 3.84% (2.31% known, 1.5% weakening) – very fair approach
  - Not applied consistently across all programs
- Buydown of 71% of K12 apportionment deferrals
- Rebuild reserves for a rainy day – formula driven; commit funds now, don't wait until the cap is imposed

# Proposed Budget – One-Time Funding

- To hedge against potential outyear slower Proposition 98 growth, includes numerous one-time investments
  - No one can argue about the list, but nothing on the list is one-time in nature if done well
  - Are there other items of higher importance to the legislature and local educational agencies (LEAs) that may be a better fit for one-time funds?



# Proposed Budget – Trade-Offs

- Trade-offs abound
  - Uniform COLA - \$140M (recurring)
  - Gradual pension rate restoration - \$800M (one-time)
  - Full apportionment deferral buydown - \$3.7B (one-time)
- All while balancing significant needs
  - Learning and support disruptions
  - Physical and mental health and safety

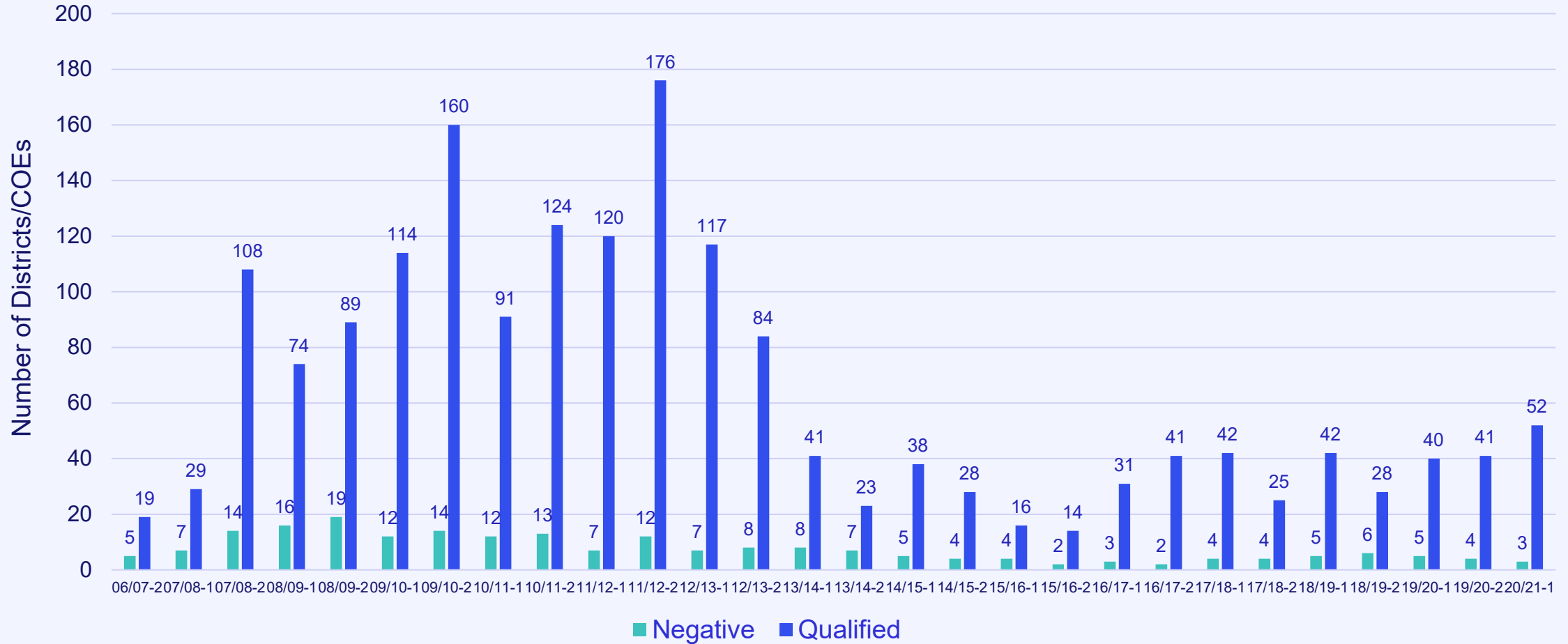
# Pandemic Relief Funding

- Significant state and federal funding for pandemic mitigation over two years
- Spring 2020 (including 2020-21 budget)
  - Federal CARES Act - \$6.3B (ESSER, GEER, CRF)
  - State - \$600M
- Winter 2021
  - Federal CRRSAA - \$6.7B (ESSER II)
  - Governor's proposed \$6.6B (in-person + Expand Learning Time grants)
- President Biden's stimulus and relief proposal - \$170B for schools
- The BIG question – how best to use these one-time funds for recurring student instructional and health needs?

# Supplemental & Concentration Funds

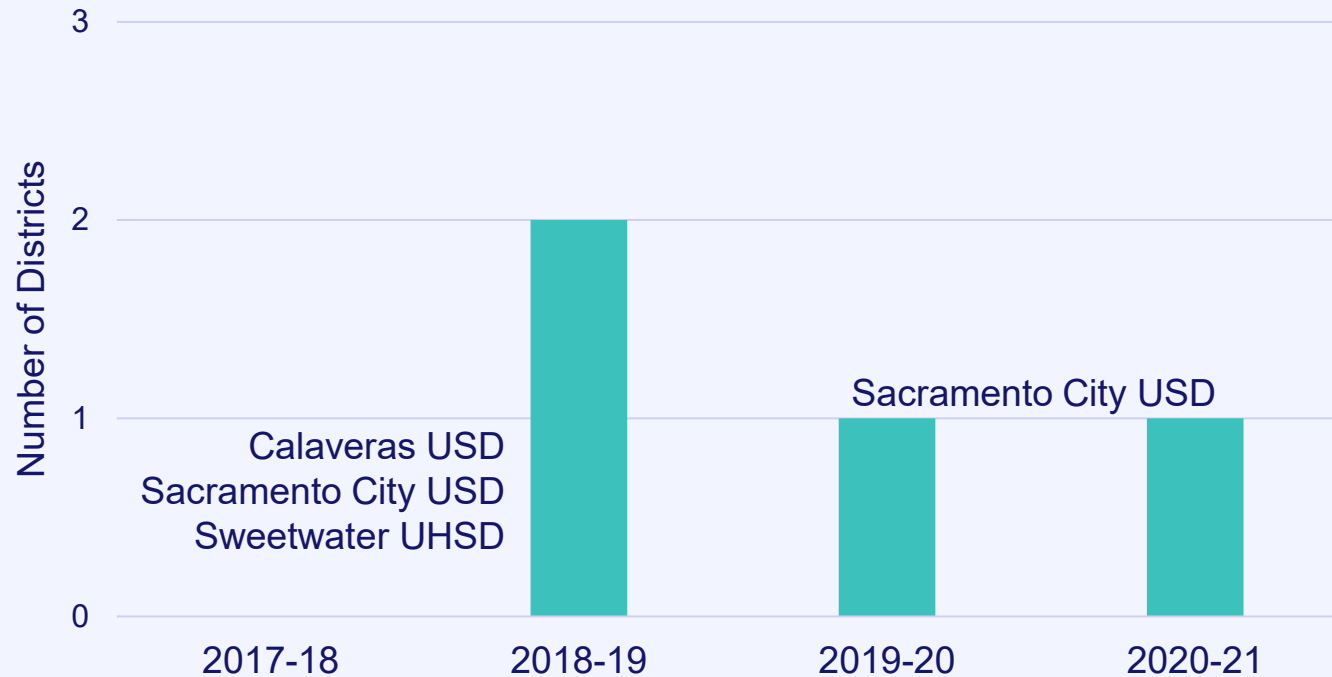
- Proposed Budget Trailer Bill Language (Sec 13, EC 42238.07) (TBL)
  - Honors the “increase or improve” mandate with its dual “quantitative and qualitative” evaluation methodology
  - Increase has been easy – dollar focus, simply do the math (quantitative)
  - Improve has been more difficult – uses other criteria, a bit gray (qualitative)
  - AB1835 didn’t work because it looked at only a quantitative approach
  - TBL provides a two-step approach
    - Step 1 ((c)(1)): evaluate funds, if minimum proportionality percentage (MPP) goal not met, move to Step 2
    - Step 2: ((c)(2)): evaluate qualitative criteria, if MPP goal met, stop, no carryover; if MPP goal not met, carryover funds

# Historical Qualified & Negative Certifications



# Disapproved Budgets

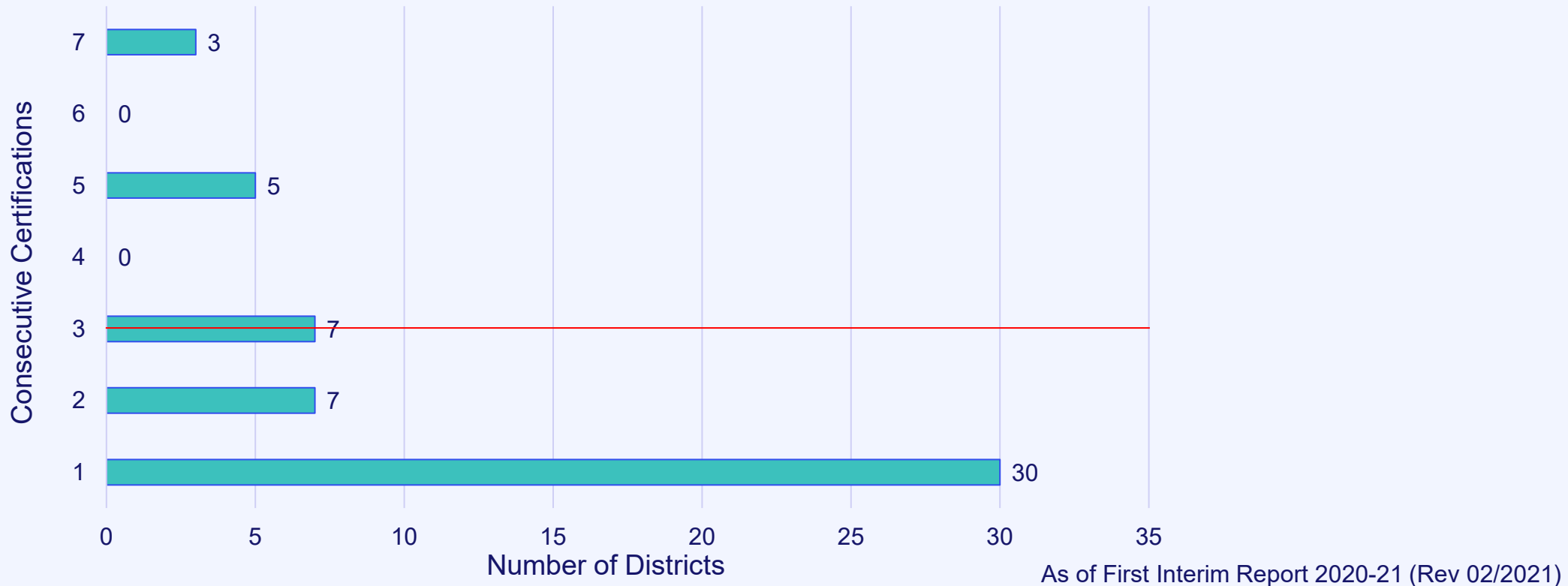
The one disapproved budget in 2020-21 represents the district's third consecutive disapproved budget.



As of 2020-21 Budget Adoption reviews (10/2020)

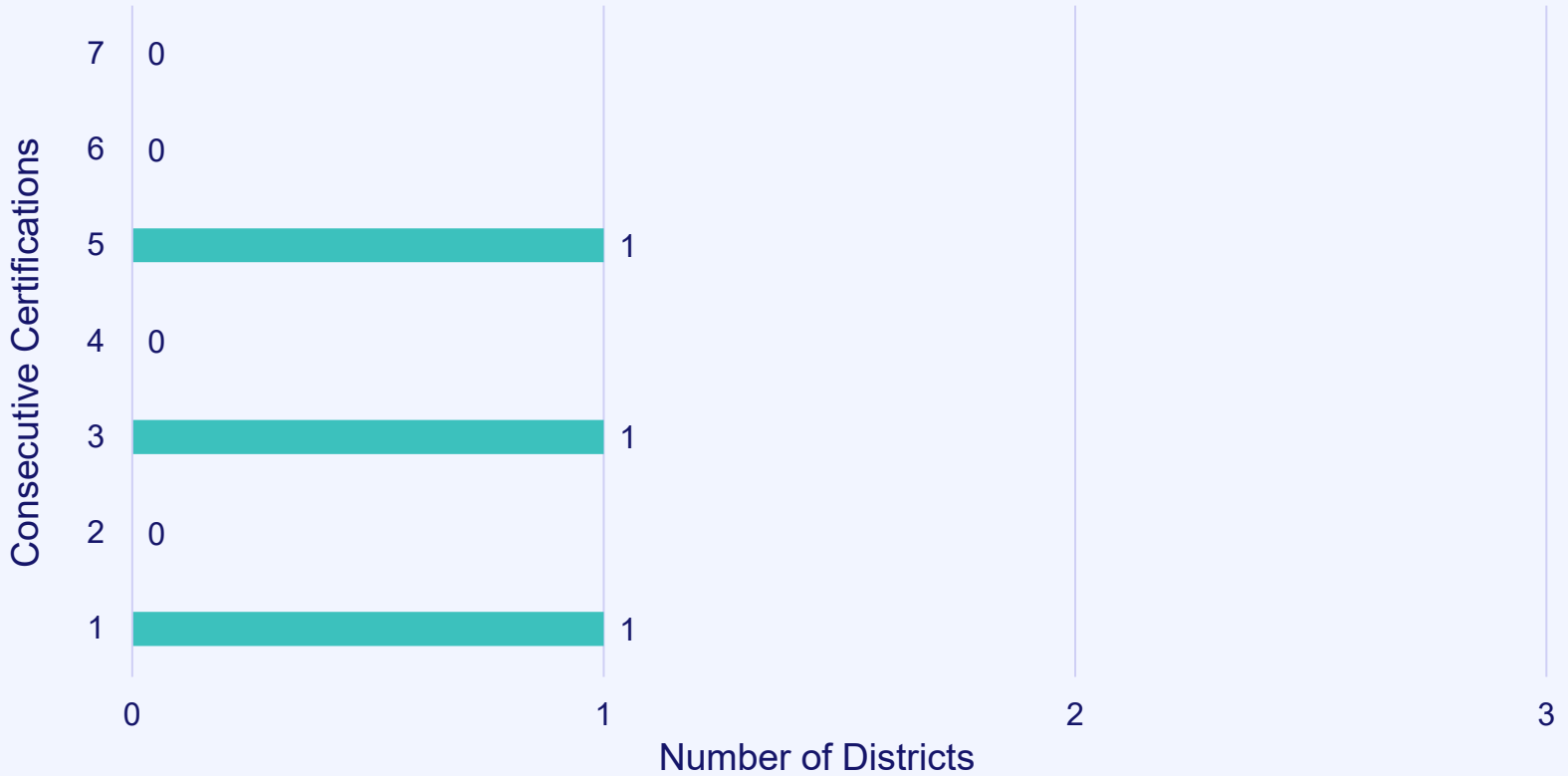
# Qualified Interim Reports Certifications

Of the 52 qualified districts, fifteen have three or more consecutive qualified certifications over the past seven reporting periods.



# Negative Interim Reports Certifications

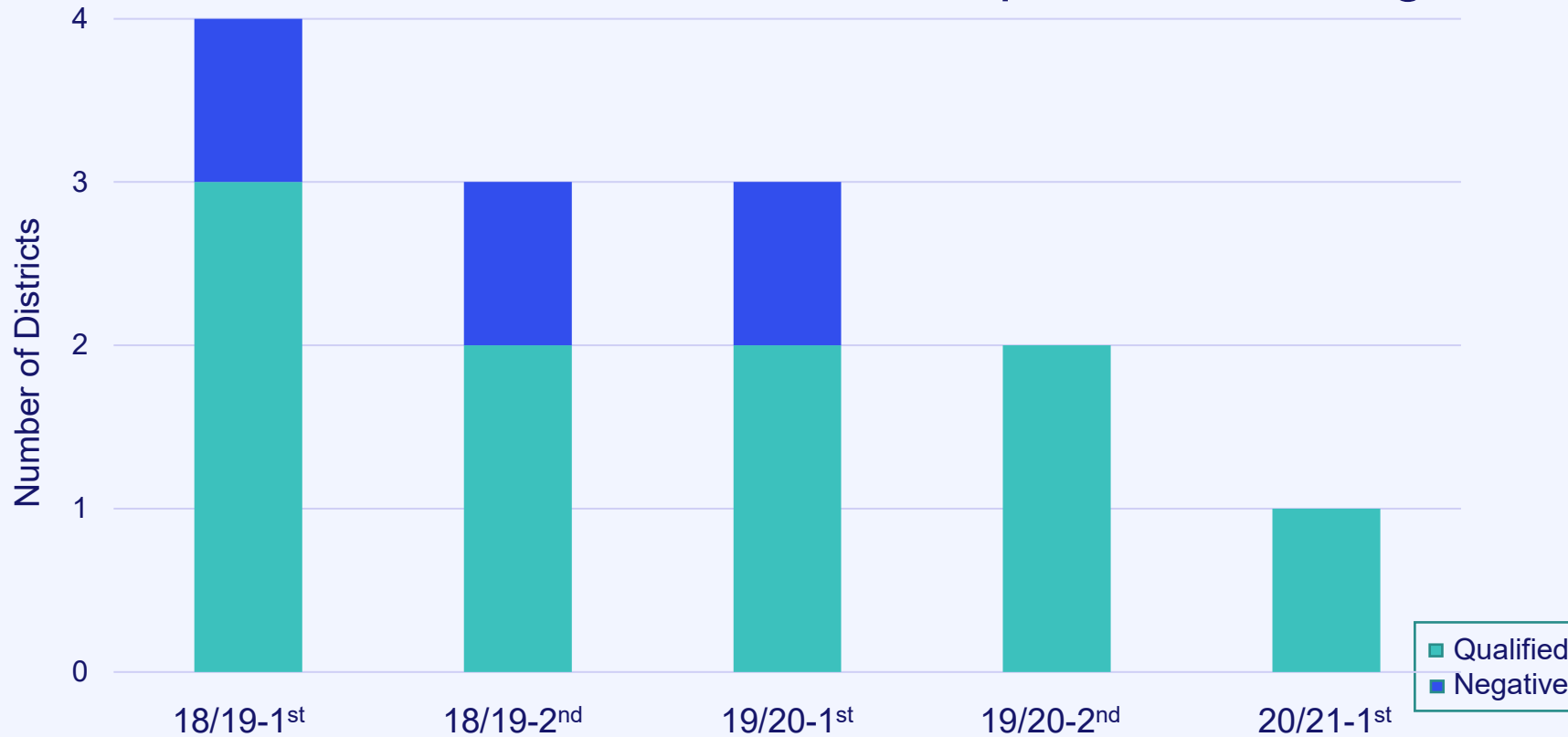
Of the three negative districts, two have three or more consecutive negative certifications over the past seven reporting periods.



As of First Interim Report 2020-21 (Rev 02/2021)

# Downgraded Interim Report Certifications

Interim reports that have certifications downgraded by the county superintendent are included in the total count of qualified and negative reports.

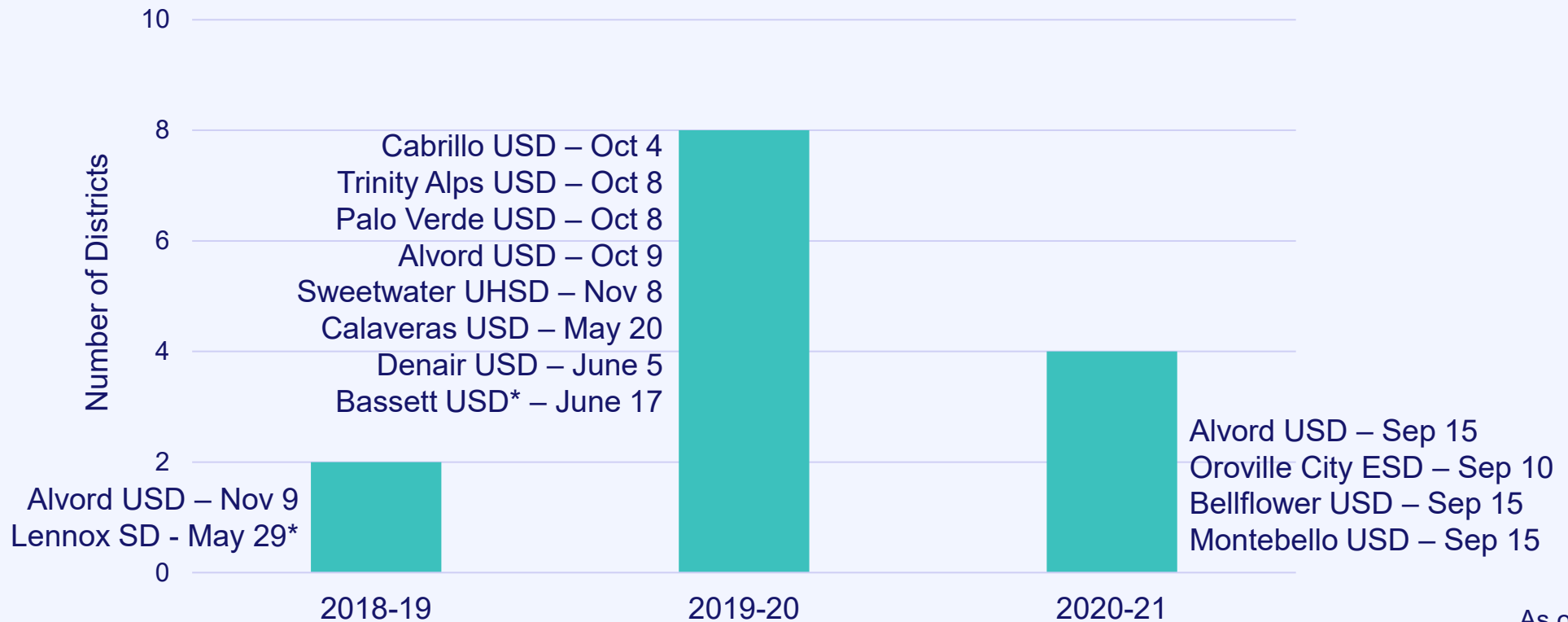


As of First Interim Report 2020-21 (Rev 02/2021)



# Lack of Going Concern Designations

Four districts have been designated as a lack of going concern in 2020-21 for non-budget concerns, such as leadership, lack of disclosure and non-compliance.



As of October 22, 2020

\*LACOE considers Lennox and Bassett as continuing LGC status in 2020-21

# Second Interim Reviews

- Big changes from first interim assumptions
  - Follow the Common Message – if LEA deviates, then they must explain their assumptions; evaluate for reasonableness
  - Enrollment / ADA – enrollment should be accurately reflected, there is no hold harmless on enrollment; ADA should reflect hold harmless, if applicable
  - COLA – Common Message reflects Department of Finance projection; if LEA wants to use more conservative SSC projection – okay; why not calculate both and compare; best-/worse-case, tolerance for risk?
  - More federal pandemic relief – ensure one-time resources are not supporting recurring needs; what's the LEA's reliance factor in the outyears?

# Financial Metrics Project

- FCMAT has begun a new project to establish best practices in evaluating LEA fiscal conditions using financial metrics
  - Builds upon outstanding AB1200 practices in county offices
  - Aligns to criteria and standards
- Dreaming a bit...
  - Imagine an add-on module to the new SACS software which produces a dashboard or other data visualization tool

# Financial Metrics Project (cont.)

- Example data visualizations may include:
  - MYP unrestricted ending fund balance (EFB), deficit spending, contributions, adjustments
  - Prior year trends of unrestricted EFB, deficit spending
  - Enrollment, ADA and unduplicated pupil percentage (UPP) history and projections
  - Salaries and benefits
  - Budget, estimated actuals and actuals comparison
  - Debt

# Questions?

**Thank you!**