

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

# Headlines for February 2023

Business and Administrative Services Committee  
Annual Conference  
February 28, 2023

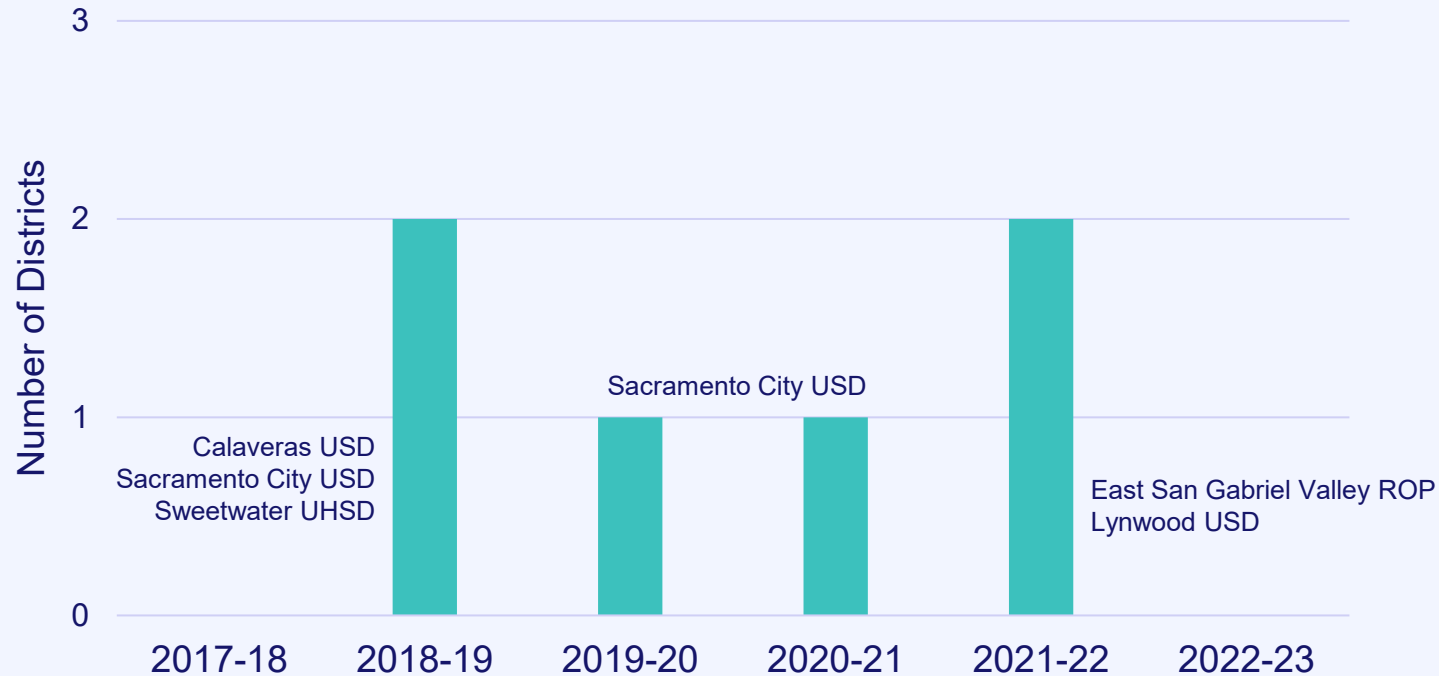
# State of California School Finance

- Fiscal health of districts is strong
- Underlying difficulties exist
  - Enrollment continues to decline
  - Out year expiration of one-time funds
  - Inflationary pressures on cost side
  - Slowing state revenues will impact Proposition 98 growth
- Multiyear projections have never been more important

# Fiscal Health is Strong

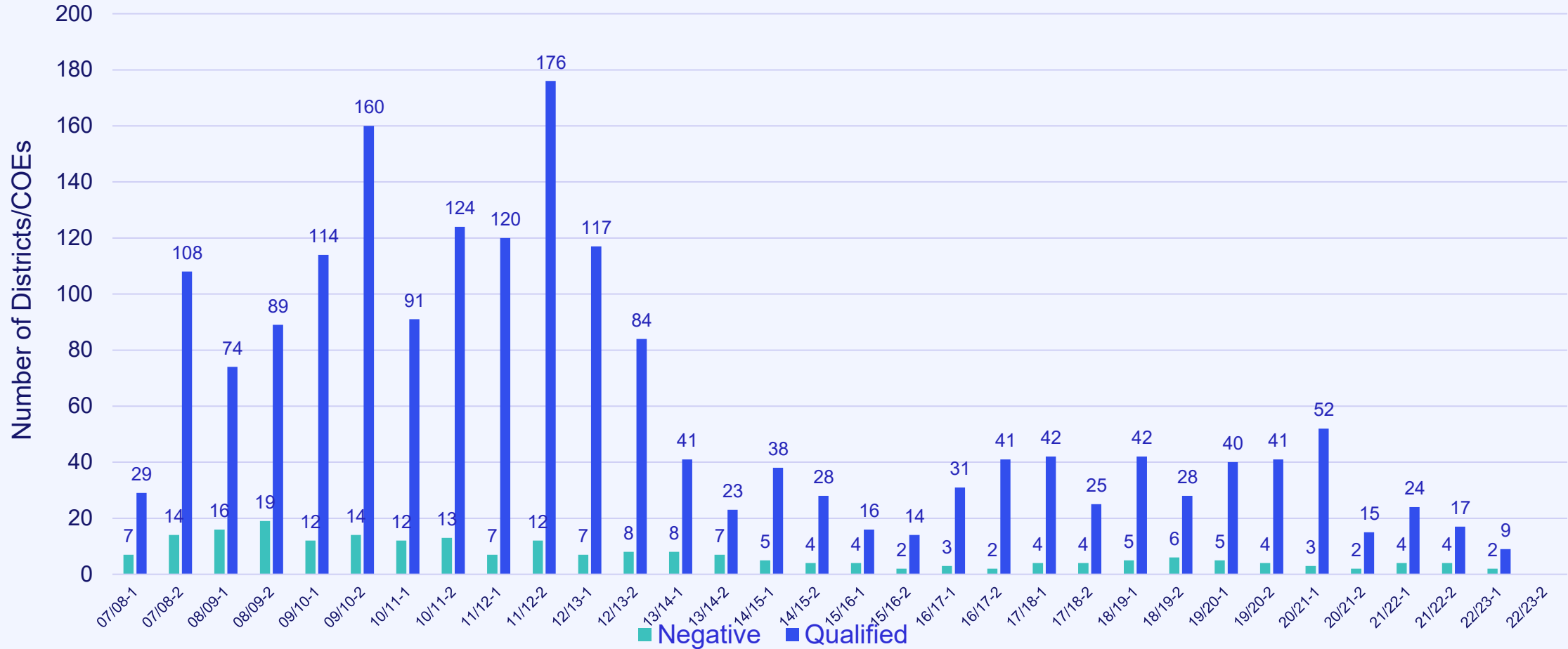
# Disapproved Budgets

There were no disapproved budgets for the 2022-23 fiscal year.



As of 2022-23 Budget Adoption reviews (11/08/2022)

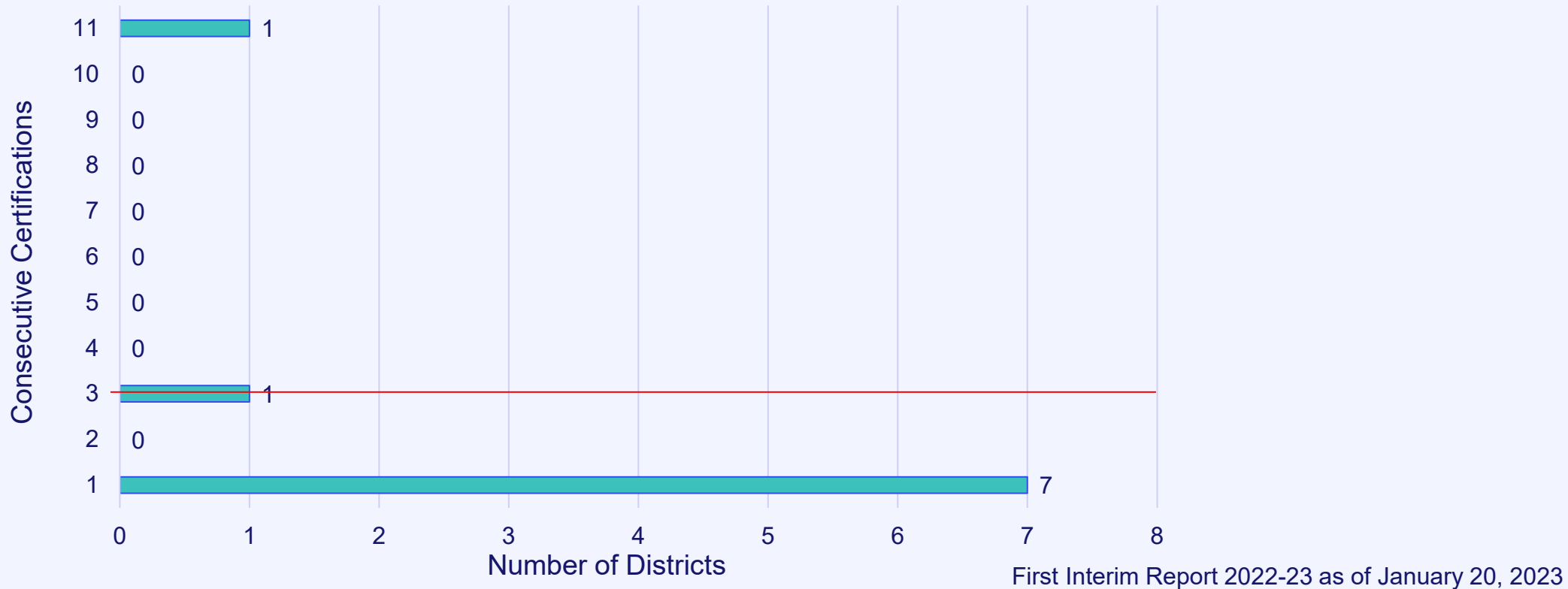
# Historical Qualified & Negative Certifications



First Interim Report 2022-23 as of January 20, 2023

# Qualified Interim Report Certifications

The nine qualified certifications represents the lowest number in over 30 reporting periods (fifteen years).



# Qualified Interim Certifications

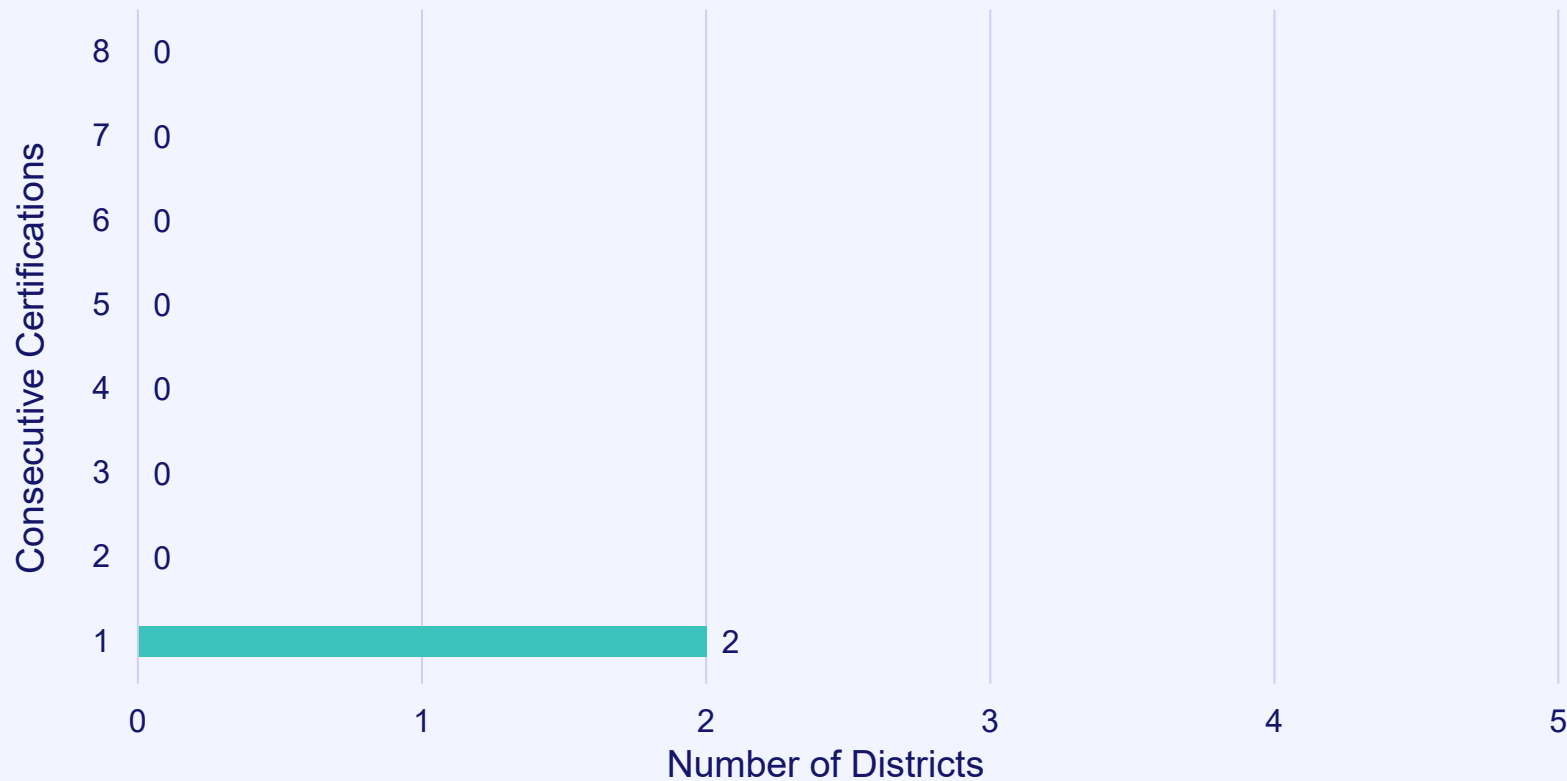
District	Status
Byron Union ESD	Qualified 1
Cabrillo USD	Qualified 1
Del Norte COE	Qualified 1
East San Gabriel Valley ROP	Qualified 3
Happy Camp Union ESD	Qualified 1
Oakland USD	Downgrade 11
Pine Ridge ESD	Qualified 1
Santa Rosa ESD	Qualified 1
Santa Rosa HSD	Qualified 1

Number in “status” column indicates consecutive certification.

First Interim Report 2022-23 as of January 20, 2023

# Negative Interim Report Certifications

One of the two negative certifications resulted from a downgrade by the county superintendent.



First Interim Report 2022-23 as of January 20, 2023



# Negative Interim Certifications

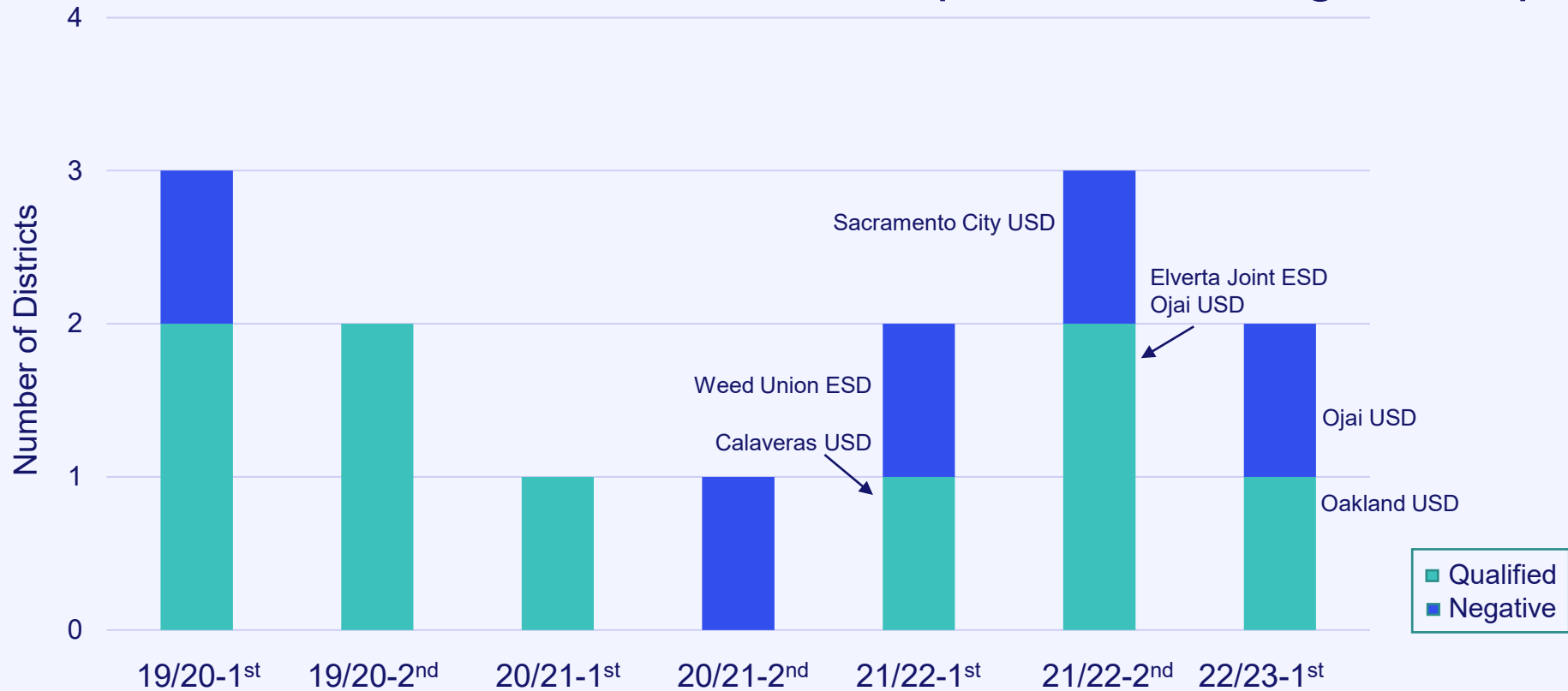
District	Status
Junction ESD	Negative 1
Ojai USD	Downgrade 1

Number in “status” column indicates consecutive certification.

First Interim Report 2022-23 as of January 20, 2023

# Downgraded Interim Report Certifications

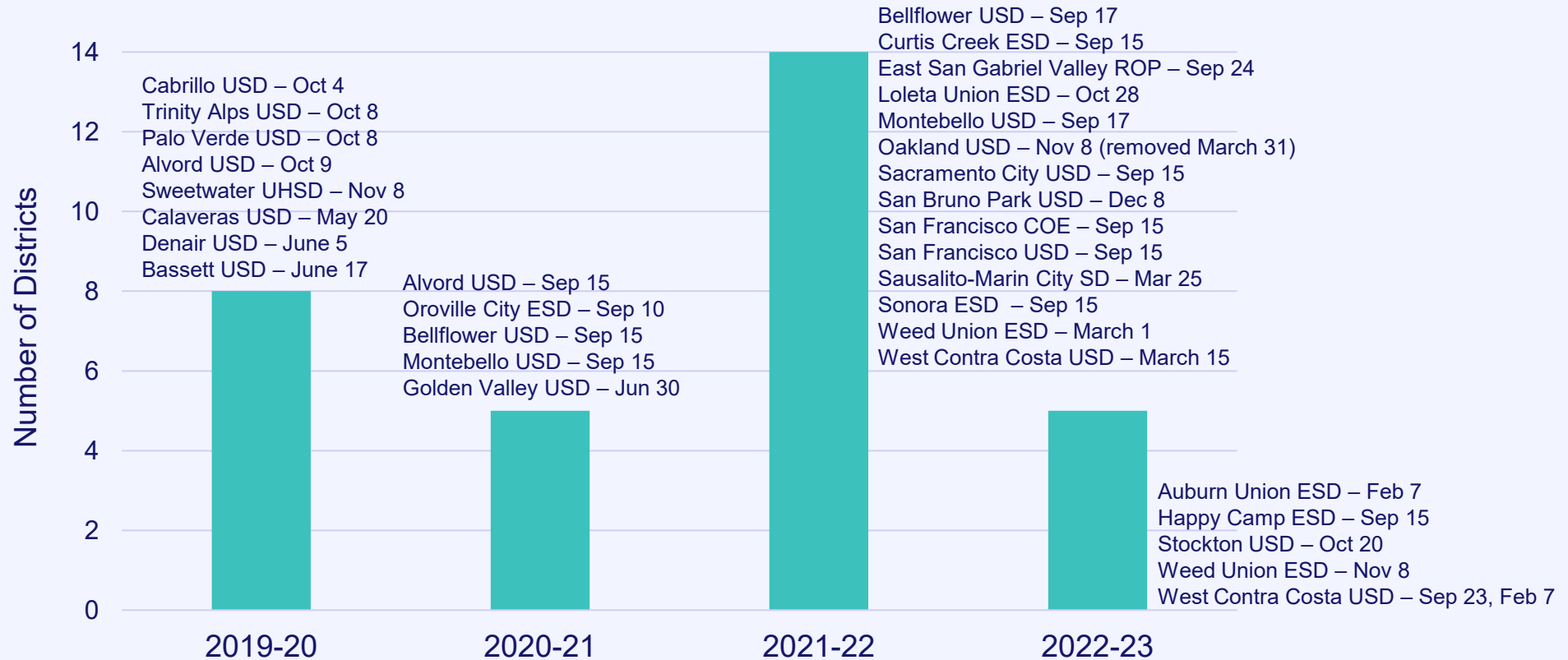
Interim reports that have certifications downgraded by the county superintendent are included in the total count of qualified and negative reports.



First Interim Report 2022-23 as of January 20, 2023

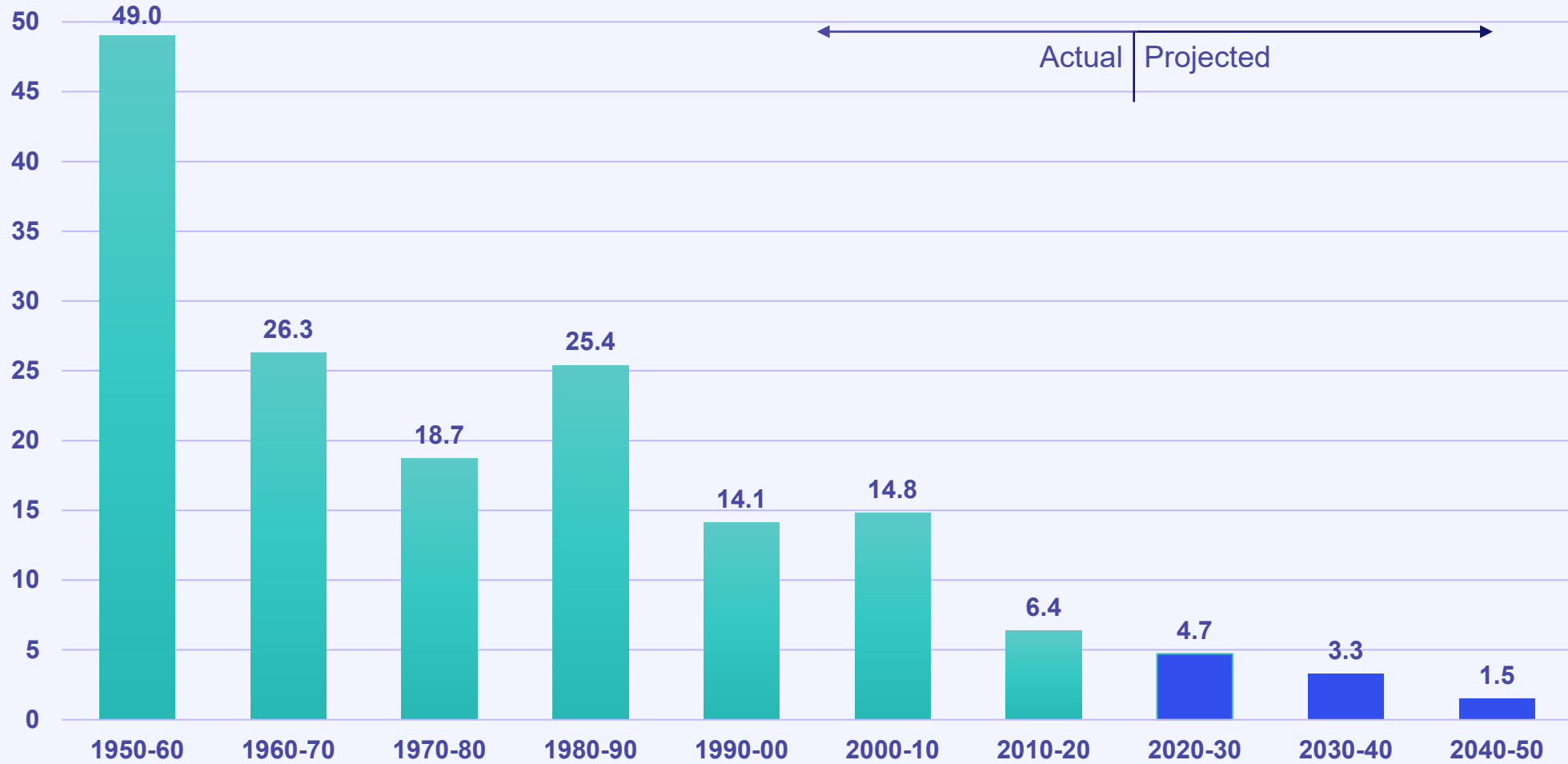
# Lack of Going Concern Designations

Lack of going concern designations may be for a variety of reasons.



# Underlying Difficulties Exist

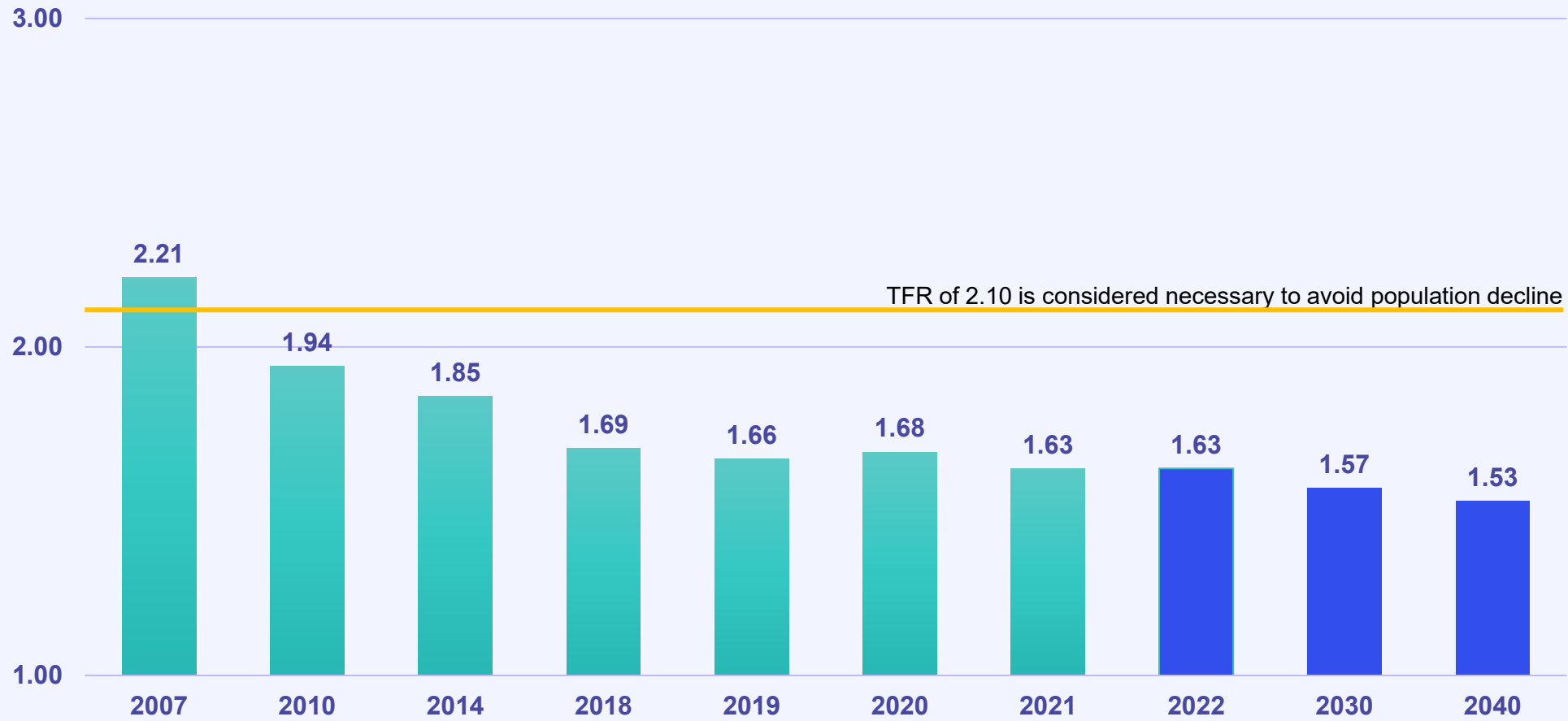
# Percentage of Growth of California Population



Percent change from prior decade

Source: CA Department of Finance

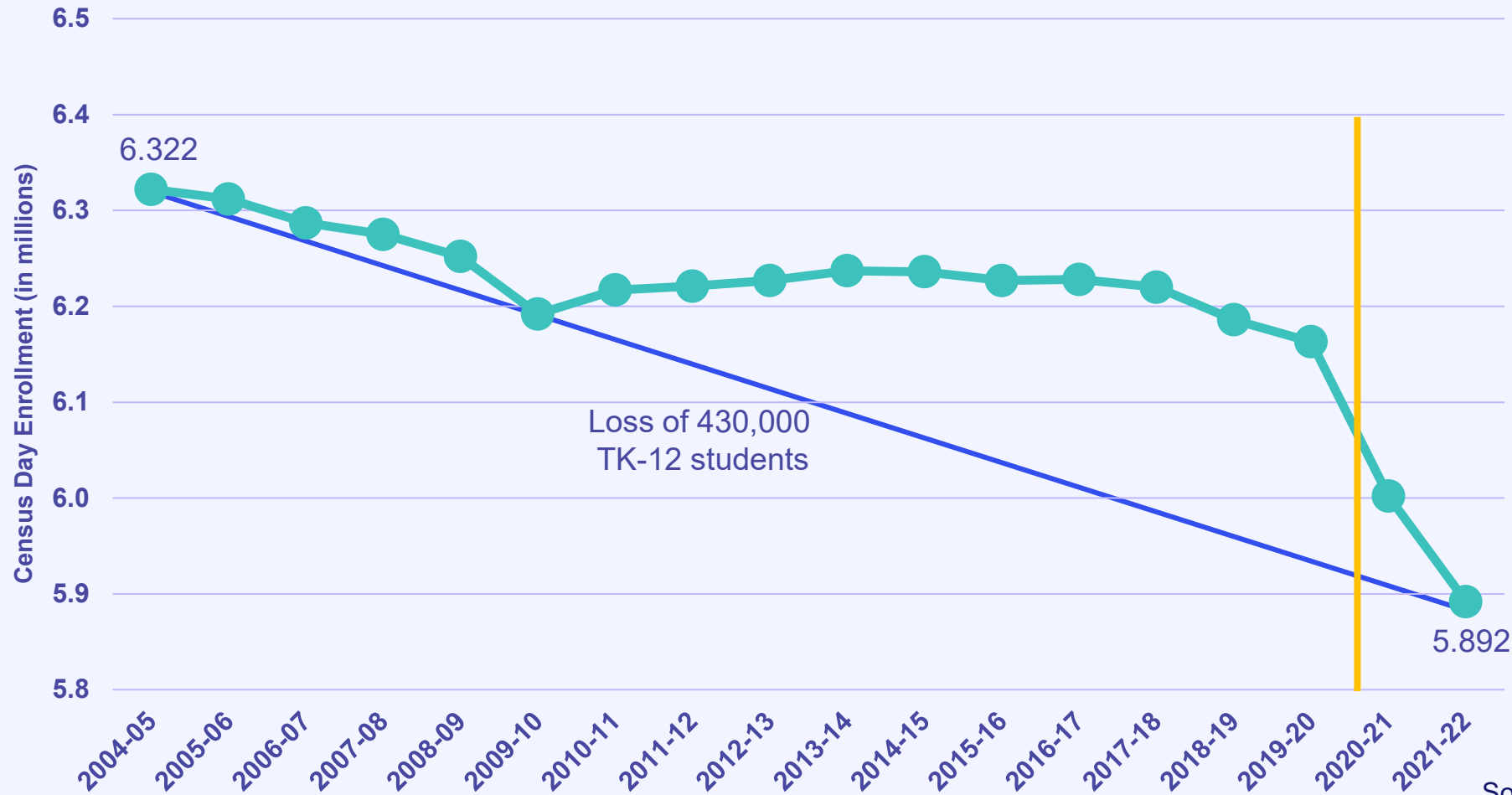
# Statewide Population Total Fertility Rates (TFR)



TFR represents the average number of children per woman over their reproductive lives

Source: CA Department of Finance

# Declining TK-12 Enrollment is Not New



Source: CA Department of Education

# Declining TK-12 Enrollment Trend

- Pre-pandemic, schools were experiencing enrollment declines
- Over the past seven years (2015-16 to 2021-22) total TK-12 enrollment has declined 5.4%

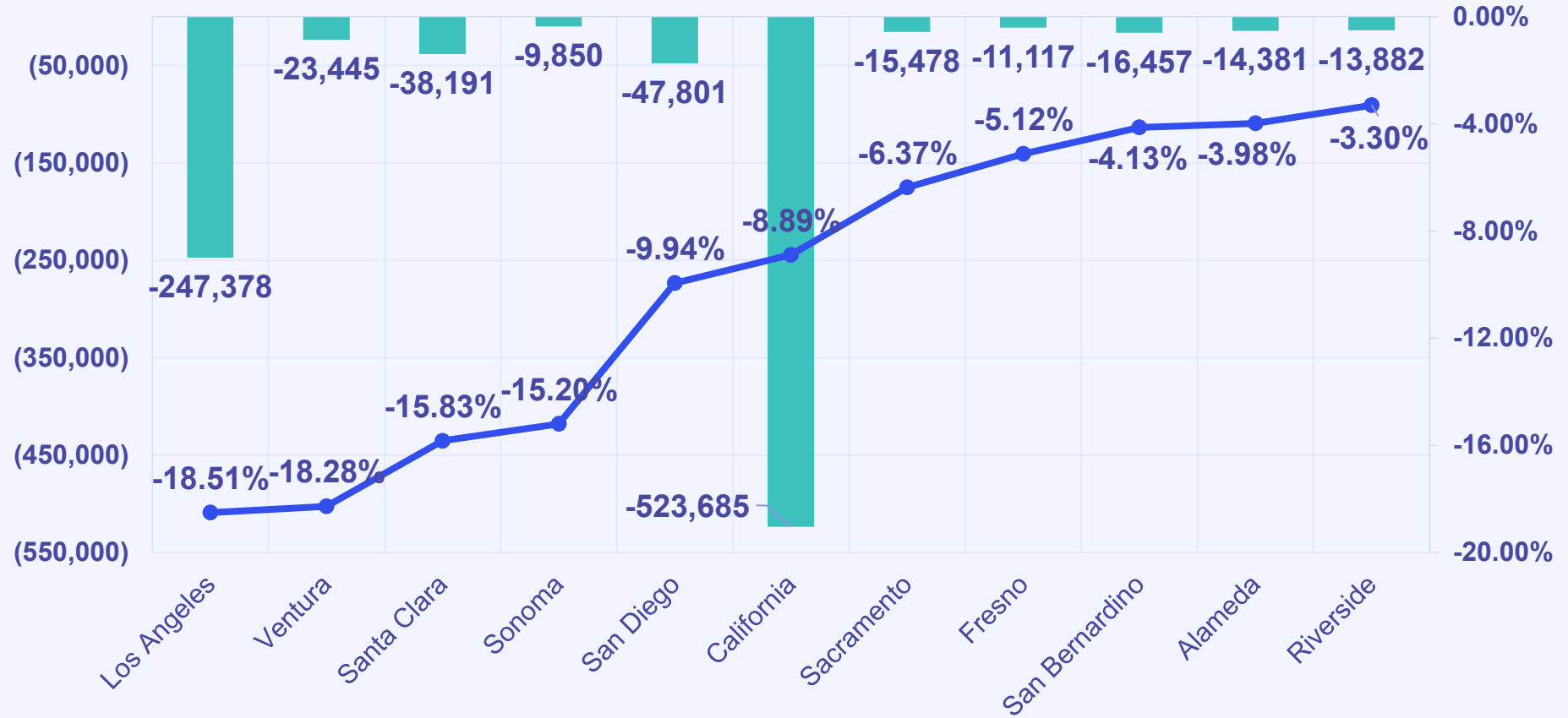
	Total Enrollment	Change	Percent Change
Fall 2021	5,892,240	-110,283	-1.84%
Fall 2020	6,002,523	-160,478	-2.60%
Fall 2019	6,163,001	-23,277	-0.38%

Change shown is from prior year

Source: CA Department of Education



# Projected Enrollment Change in School Age Population from 2021-22 to 2031-32 – Selected Declines



Adapted from School Services of California Inc.

Change by County % Change by County

Source: CA Department of Finance

# One-Time Funds Expiring

**September 30, 2023**

ESSER II

GEER II

**September 30, 2024**

ESSER III

Ext. Learning Opportunities Grant

In-person Instruction Grant

**June 30, 2026**

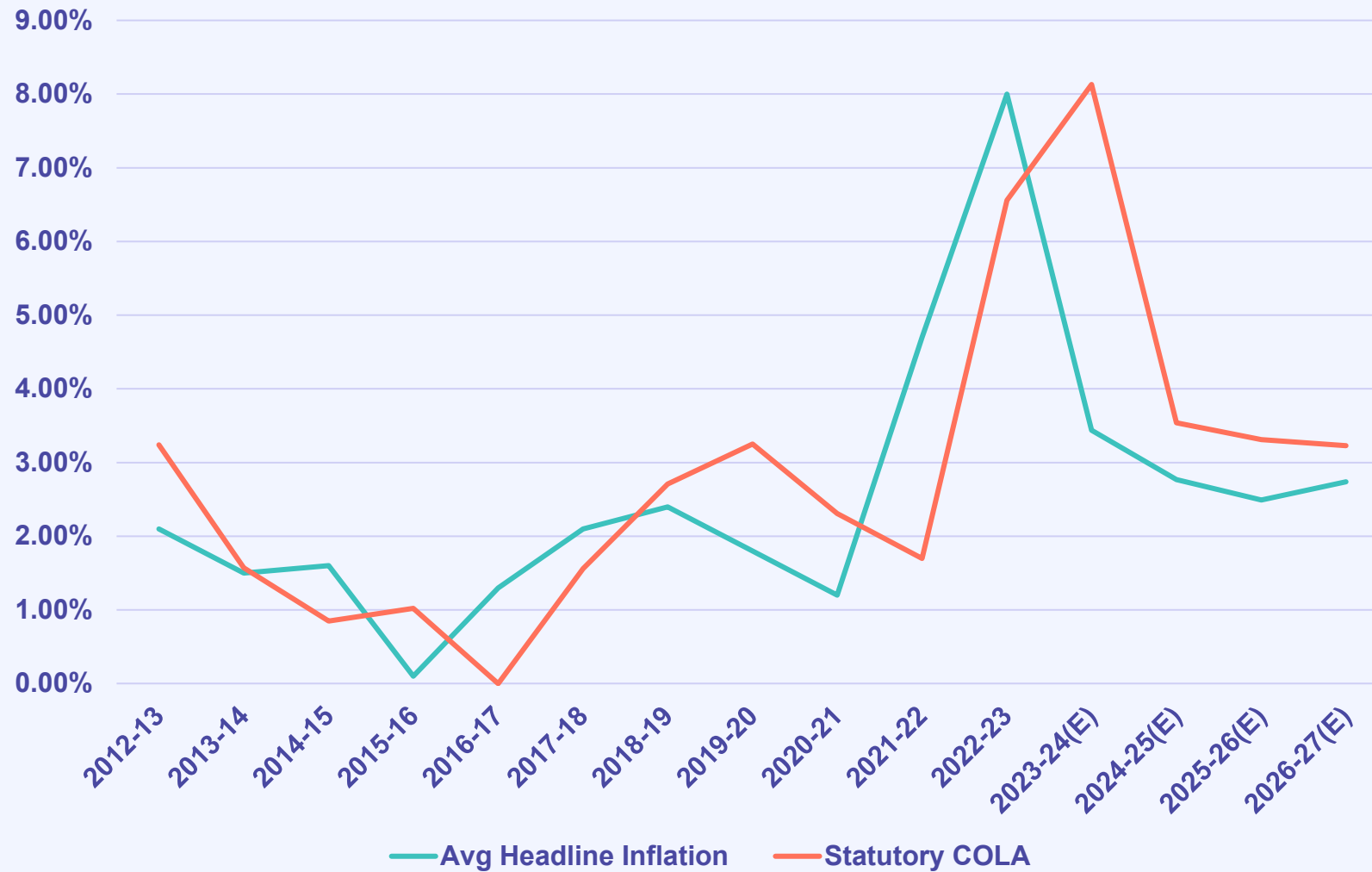
Arts, Music and Instructional Materials  
Discretionary Block Grant

Educator Effectiveness Block Grant

**June 30, 2028**

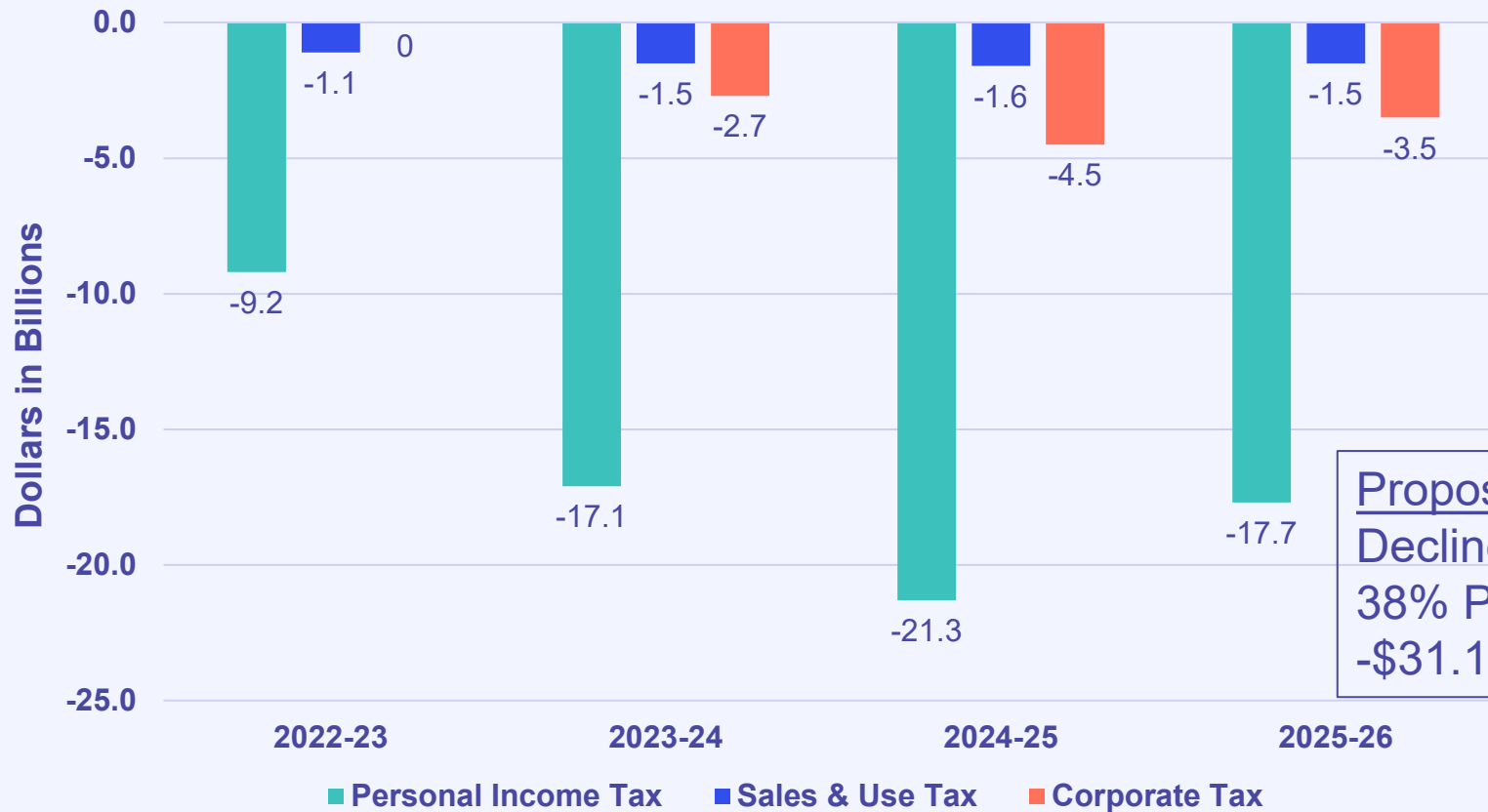
Learning Recovery Emergency Block  
Grant

# Inflationary Pressures on Cost Side



# Slowing State Revenues

## Change in “Big Three” Revenues Between 2022-23 Enacted Budget and 2023-24 Proposed Budget



Proposition 98 Test 1  
Decline of \$81.7B over 4 years  
38% Prop 98 share  
-\$31.1B Prop 98 impact

# Multiyear Financial Projections are Critical

# Multiyear Financial Projections (MYP)

- A district must have the ability to accurately reflect its net ending balance and ensure early warning of any discrepancies between budget and actual revenues and expenditures throughout the budget monitoring process
  - One of the purposes of first and second interim reports is to provide updates of the district's projected net ending balance for the current year and multiyear projections
- Long-term impact of current decisions must be assessed and must be considered over multiple years (at least current plus two years)
  - The cause of most school district insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the district during lean financial times – exercise caution

# Multiyear Financial Projections (Cont.)

- Second interim MYPs provide a critical look at next year ahead of budget adoption
  - Current year actual enrollment and average daily attendance (ADA)
  - Updated outyear enrollment and ADA projections
  - Governor's budget proposal – common message elements
  - Any new collective bargaining agreement(s) implications
  - Any remaining current year post-adoption adjustments not made at first interim
- Cash flow must align to updated budget assumptions
- Base line with best- and worse-case scenarios for MYP and cash provide data for important planning considerations

**Thank you!**