



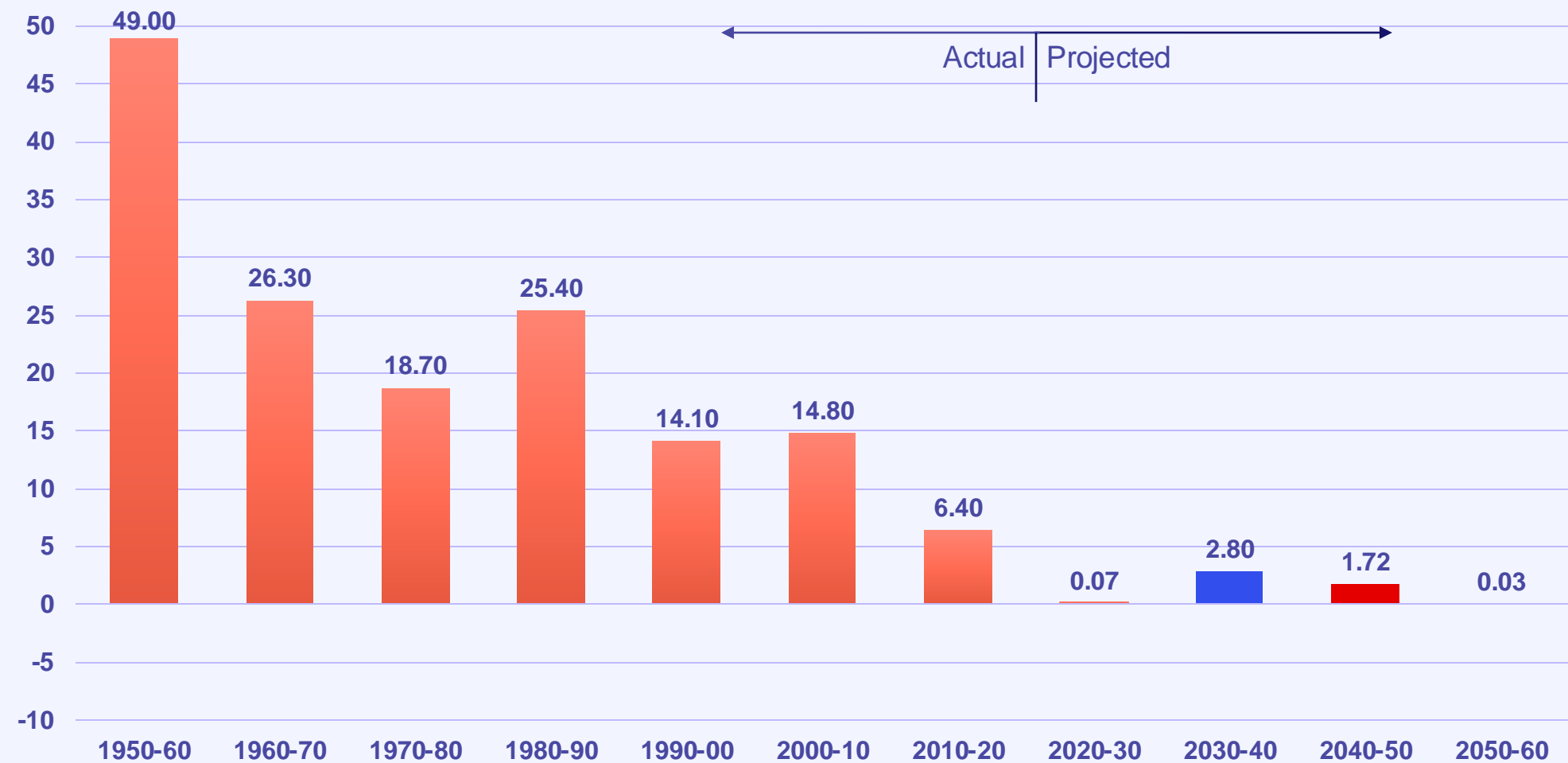
Risks and Rewards (and a few other things)

California County Superintendents
Business and Administrative Services Committee
Fall Conference
October 24, 2024

The Big Picture: Declining Population

- California's population is declining.
 - Population declined during the pandemic – first time in history.
 - Before and after the pandemic, the rate of population growth has slowed.
- Birthrates are down.
 - Total fertility rate (TFR) is below levels considered necessary to maintain the population.
- Net migration is down, fluctuating between net migration in and out.

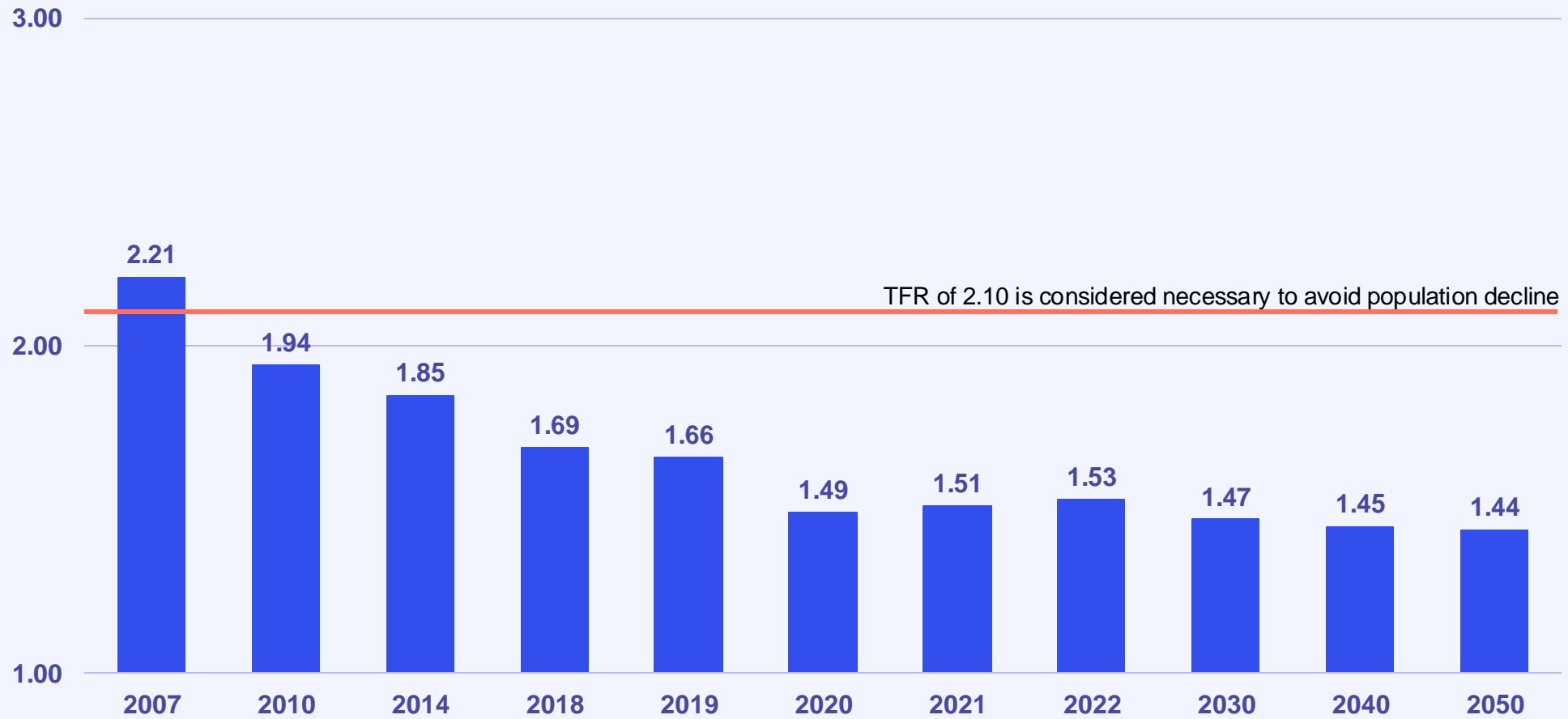
Percentage of Growth of California Population



Percent change from prior decade

Source: CA Department of Finance

Total Fertility Rates (TFR)



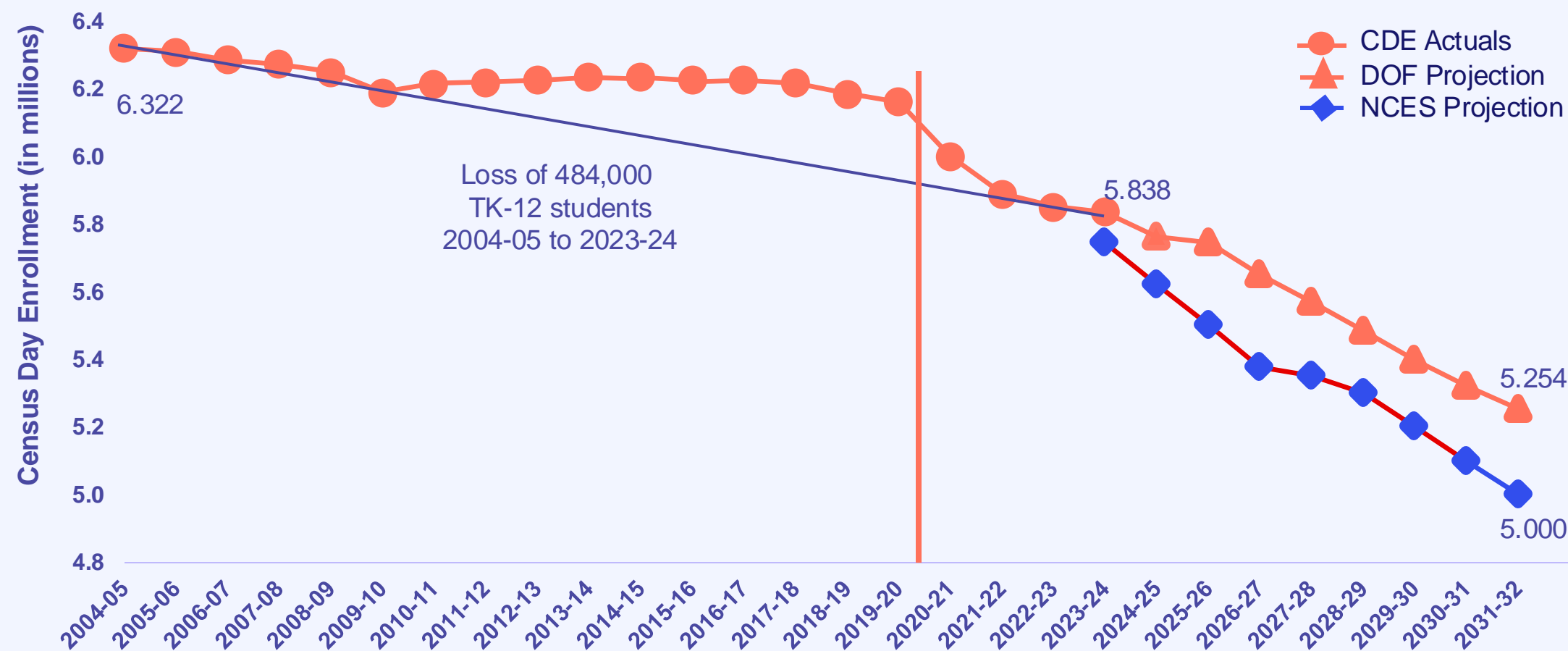
TFR represents the average number of children per woman over their reproductive lives

Source: CA Department of Finance

Migration is a Contributing Factor

- Migration of school-age population contributes to TK-12 enrollment declines.
- School-age migration out of California is not new but accelerated in 2020 and 2021 – more than doubling the 2019 level, and exceeding 2006 levels.
- Previous out-migration was offset in part by international immigration to California, but that has slowed.
- California is still an attractive destination, but those moving here are more likely to be working age, employed, have higher education levels and earning high wages – concentrated among young college graduates without school-age children.

Declining Enrollment is Not New; Plans to Stay a While



Source: CA Department of Education (CDE), CA Department of Finance (DOF), National Center for Education Statistics (NCES)

Revenue is Impacted by More than ADA

- The annual, realized cost-of-living-adjustment (COLA) is minimized by declining enrollment.
 - For a typical district, a 1% enrollment decline results in a 1.07% COLA being only .04%.
- Declining enrollment impacts grade spans differently over time.
 - Local Control Funding Formula (LCFF) differentiates per-ADA grant amounts by grade span.
 - The 9-12 grade span will not feel the biggest pinch until the early 2040s.
 - Although on the expenditure side of the ledger, do not forget about the impact on staffing ratios.

Declining Enrollment has Program Implications

- Historical and projected declines are higher in counties with larger student populations of English learners, low-income families and students with disabilities.
- Declines will impact UPC/P, which has program funding implications in the Local Control Funding Formula.
- While school closures and campus repurposing have been minimal so far, the accumulated impact of continued enrollment declines will put pressure on districts to consider closures, consolidations and repurposing.
 - Prompting concern about equity.

Financial Impacts of Declining Enrollment

- Use your multiyear projection to identify the timing and size of the impact.
 - Average daily attendance drives revenue – revenues will flatten or decline.
 - Enrollment drives expenditures – expenditures will increase.

**Loss of 120 students = 113 ADA
@ \$13,705 per ADA**

Lost revenue: \$1,548,665

**Loss of 120 students @ 24:1 staffing =
5 teachers @ \$93,013 per teacher
Miscellaneous costs @ \$500 per
student**

Teacher savings:	\$465,065
Miscellaneous savings:	<u>\$60,000</u>
Total savings:	\$525,065

Deficit from scenario is \$1,023,600 or 66% of lost revenue. This necessitates other reductions to programs, operational costs and other staff to make up the difference.

Adapted from School Services of California, Inc.

Strategies For Declining Enrollment

- Know and understand your local and regional data and trends.
 - Each LEA has a unique story about community, enrollment, programs, competition, causes and opportunities.
 - What, how, who and when?
- Be strategic about your approach, and be intentional about collaboration between business and human resources.
 - Know your staffing: attrition, temporary and nonclassroom assignments, forecast.
 - ADA mitigation slowed the impact, but there was no hold harmless, and the three-year averaging offers minimal mitigation going forward.
- Act early.

Other Contributions to LEA Risk

- Assembly Bill 218 claims for childhood sexual assault (CSA).
 - Estimated in the \$2.5B-\$3B range statewide.
 - Roughly 35% adjudicated, 65% unresolved.
- Late audits.
 - Extensions escalated during the pandemic and have been slow to return to acceptable levels.
 - Recently disclosed apportionment findings from three years ago do not make for a great day.
 - Insist on strict adherence by the auditors to the statutory timeline and contribute to making that happen. Limit extensions to extraordinary circumstances.

Year-to-date Tax Collections are Up

- Year-to-date are tracking above budget projections.*
 - Year-to-date collections are above projections by \$4.1B.
 - Since April when the 2024-25 estimates were finalized, receipts are up \$7.3B (\$3.2B was in 2023-24).
 - Personal income tax (PIT)
 - Withholding up 1.9%.
 - Estimated payments up 70.7% (high earners).
 - Corporate taxes up 42.1%, and sales and use taxes are at projection.
 - Some election year risk.

*Fiscal year 2024-25 data through September.

Looking Ahead to 2025-26

- Expect a maintenance budget, with an upside for one-time funds
 - State Proposition 98 obligations will be met.
 - Depending on final revenues, the \$8.3B maintenance factor created with the 2023-24 suspension of Proposition 98 could result in schools receiving about 90% of tax receipt growth.
 - The 2024-25 budget includes a \$4.1B maintenance factor payment leaving \$4.2B outstanding going into 2025-26.

Two Immediate Threats to Revenues

- At the local level, the projected COLA in May for 2025-26 was 2.93%.
 - With five of eight data points known, COLA is trending down.
 - The 2025-26 COLA is more likely in the 1.4% to 1.8% range, but three quarters of data is yet to be reported.
- Proposition 30 (2012) / Proposition 55 (2016) funding from the highest tax bracket is set to expire in 2030.
 - Worth \$9-\$11 billion annually for Proposition 98.
 - Strategies to extend this funding source are in works.

How Do I Plan?

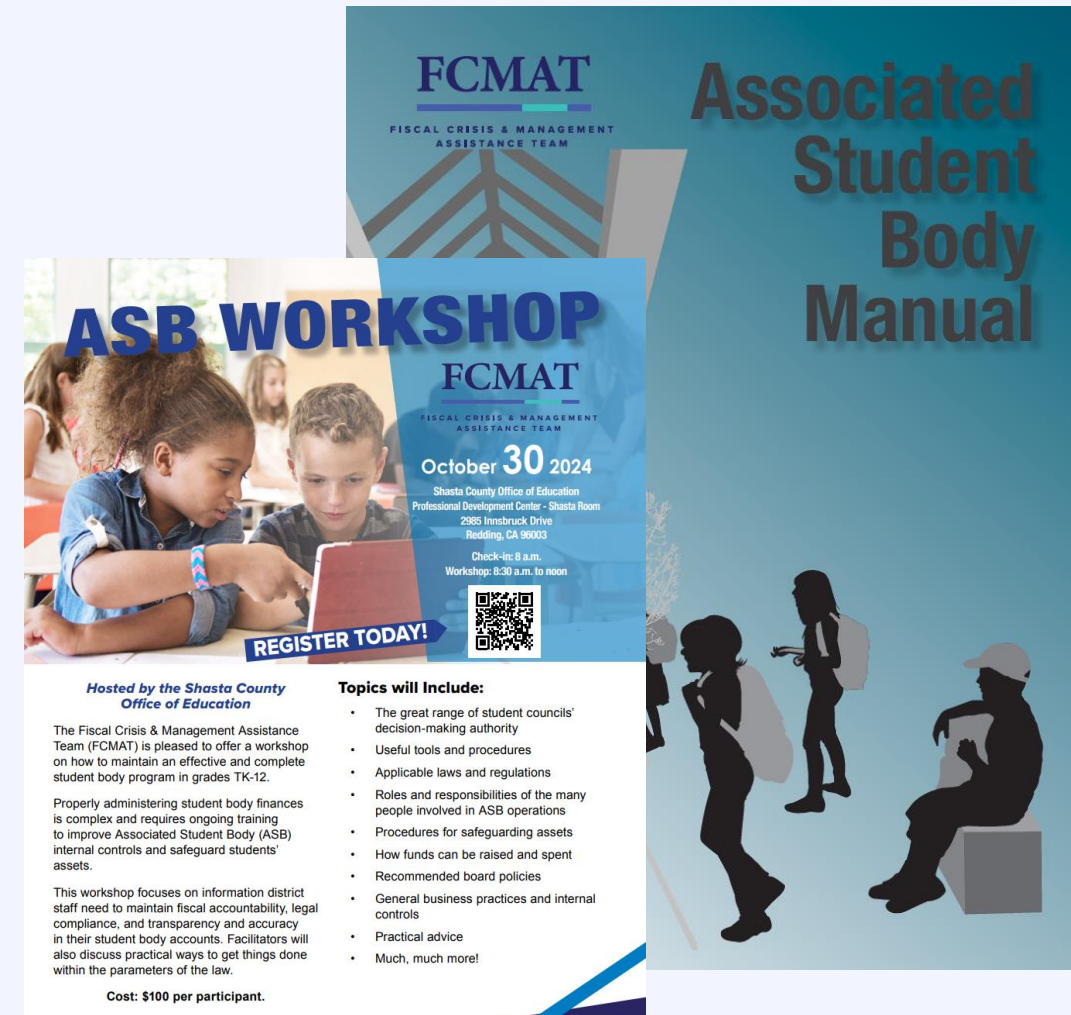
- Tax collections through September are too early to assess Proposition 98 impacts, especially in a presidential election year, but trending up.
- Economic data is generally more positive.
- Monitor the economy and state revenue closely.
 - Prepare multiple scenarios for 2024-25 enrollment / ADA, COLA and unduplicated pupil count / percentage (UPC/P).
 - Using the scenarios for 2024-25, prepare regular updates to multiyear financial projections (MYPs).
 - Be strategic and thoughtful about out-year commitments.

Upcoming Legislative Conversations

- Charter School Discussion.
 - Nonclassroom-based (NCB) charter school reform (LAO/FCMAT February 2024 report).
 - LEA audit reform (focus on charter schools) (SCO Task Force, September 2024 report).
- Local Control Funding Formula components that impact adequacy and equity.
 - Assembly Joint Oversight hearings: LCFF 10 years later.

Associated Student Body Training

- FCMAT trains hundreds of LEA staff each year on ASB topics through district-specific workshops.
- On October 30, FCMAT will release a major update to the FCMAT ASB Manual.
 - As a result, FCMAT is offering regional ASB trainings at 11 county offices between October 30 and early January.
- Check out the training closest to you:
<https://www.fcmat.org/workshops>



The image displays two promotional materials for FCMAT. On the left is a poster for an 'ASB WORKSHOP' held on October 30, 2024, at the Shasta County Office of Education. The poster features a photo of two children looking at a tablet and includes a QR code for registration. On the right is the cover of the 'Associated Student Body Manual', which has a teal background and silhouettes of students.

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

ASB WORKSHOP
FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

October 30 2024
Shasta County Office of Education
Professional Development Center - Shasta Room
2005 Innbruck Drive
Redding, CA 96003
Check-in: 8 a.m.
Workshop: 8:30 a.m. to noon

REGISTER TODAY!

Hosted by the Shasta County Office of Education

The Fiscal Crisis & Management Assistance Team (FCMAT) is pleased to offer a workshop on how to maintain an effective and complete student body program in grades TK-12.

Properly administering student body finances is complex and requires ongoing training to improve Associated Student Body (ASB) internal controls and safeguard students' assets.

This workshop focuses on information district staff need to maintain fiscal accountability, legal compliance, and transparency and accuracy in their student body accounts. Facilitators will also discuss practical ways to get things done within the parameters of the law.

Cost: \$100 per participant.

Topics will Include:

- The great range of student councils' decision-making authority
- Useful tools and procedures
- Applicable laws and regulations
- Roles and responsibilities of the many people involved in ASB operations
- Procedures for safeguarding assets
- How funds can be raised and spent
- Recommended board policies
- General business practices and internal controls
- Practical advice
- Much, much more!

Associated Student Body Manual

Summary

	Risk	Reward
Declining enrollment	☹️	
Recovering ADA yield		😊
AB 218 CSA claims	☹️	
Late audits	☹️	
State tax collections		😊
P98 maintenance factor		😄
COLA	☹️	
Proposition 55 expiration	☹️	
NCB and audit reforms		😜
ASB training		😜

Thank you!