Agenda

- **Second Interim**
  - Actual finances through January
  - Projections through 2025-26

- **Fiscal Projections – 3 years**
  - Shortfall Solutions for 2024-25
  - Reducing or eliminating certificated and classified services

- **Certification of Second Interim**
Budget Cycle

- **January**
  - Governor's Proposed Budget
  - Special Board Budget Workshop
  - January 4

- **February**
  - Special Board Budget Workshop
  - February 23

- **March**
  - Second Interim Due
  - Preliminary Certificated and Classified Notices

- **April**

- **May**
  - Governor's Revise of the State Budget
  - Final Certificated and Classified Notices

- **June**
  - District Budget Adoption
  - LCAP

- **July**

- **August**

- **September 15**
  - Unaudited Actuals Due

- **October**

- **November**

- **December**
  - First Interim
  - External Audit
  - Annual Financial Statements FY 2022-23
To DO

OCT. 6 OPERATIONS INSTITUTE
- Dr. Jackson’s Opening
- Sharing the “Why” of Third Friday Shifts
- Changes to budget timeline

OCT. PLANNING TEAM
- Approximately 30 hours spent analyzing data, calibrating and identifying $70 million in potential budget solutions

DEC. CENTRAL OFFICE SBB
- Implement budget solutions
- Federal Program Monitoring (FPM) and California Department of Education (CDE) audit guides to understand the difference between “must do” and “may do”
- Reductions in both personnel and non-personnel costs

DEC. 11 SITE LEADER SBB WORKSHOP
- Review of demographer projections and initial allocations
- Access to Central Office departments to answer real-time questions
- Collaboration with peers to brainstorm adjustments, communication protocol, and next steps

DEC. 11 LCAP MID-YEAR ANALYSIS
- Teams review current initiatives and determine strategic abandonment, refinement, or keep

JAN. SITE SBB & GOVERNOR’S BUDGET
- Central Office identify further budget solutions based on the projected COLA reduction
- $24 million in additional budget solutions through sweep and freeze of Central Office budgets, solar revenue, and further reductions within individual departments

JAN. LCAP MID-YEAR ANALYSIS
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PRESENT
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- $24 million in additional budget solutions through sweep and freeze of Central Office budgets, solar revenue, and further reductions within individual departments
Impacts of Governor’s Proposed Budget

Local Control Funding Formula (LCFF)
- Decrease Cost-of-Living Adjustment (COLA) 3.94% to 0.76%
- Decrease of approximately $24M from First Interim for fiscal year 2024-25

Instructional Continuity
- Several measures proposed, including some ADA-based funding solutions
- Wait-and-see if these remain in the final state budget

Risks to Prop 98
- If state revenues fall or rise, will impact Prop 98
- Currently no deferrals or cuts to overall Prop 98 funding
# One-Time State and Federal Funding

## COVID Related

<table>
<thead>
<tr>
<th>Year</th>
<th>State</th>
<th>Federal</th>
<th>General Fund</th>
<th>LLMF</th>
<th>CARES LLMF</th>
<th>CARES GEER</th>
<th>CARES ESSER I</th>
<th>CRSS ESSER II</th>
<th>Expanded Learning Opportunities Grant</th>
<th>In Person Instruction Grant</th>
<th>ARP ESSER III</th>
<th>Arts, Music, and Instructional Materials Discretionary Block Grant</th>
<th>Special Education Dispute Prevention Recovery Support</th>
<th>Learning Recovery Block Grant*</th>
<th>Federal Relief Funds Expiring</th>
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<td>$30.7M</td>
<td>$135.0M</td>
<td>$77.8M</td>
<td>$37.6M</td>
<td>$303.4M</td>
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<td>2027-28</td>
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* Governor's Budget proposal includes restrictions on Learning Recovery Block Grant funds that would significantly impact allowable use of funds.
** Funds expected to be fully utilized by 2025-26.
Second Interim Development

Second Interim is Based ON
- Activities from July 1 through January 31, and projecting to June 30
- Governor’s Proposed Budget for 2024–25
- Latest guidance from SDCOE

Covers Fiscal Years 2023–24, 2024–25, and 2025–26
# Budget Development Assumptions

## Planning Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-Of-Living Adjustment (COLA)</td>
<td>8.22%</td>
<td>0.76%</td>
<td>2.73%</td>
</tr>
<tr>
<td>Step and Column: Certificated/Classified*</td>
<td>1.87%/1.47%</td>
<td>1.84%/1.78%</td>
<td>1.84%/1.78%</td>
</tr>
<tr>
<td>Salary Increase</td>
<td>5.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>CalSTRS Employer Contribution</td>
<td>19.10%</td>
<td>19.10%</td>
<td>19.10%</td>
</tr>
<tr>
<td>CalPERS Employer Contribution</td>
<td>26.68%</td>
<td>27.80%</td>
<td>28.50%</td>
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<tr>
<td>Health &amp; Welfare Premiums*</td>
<td>5.00%</td>
<td>6.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Materials &amp; Supplies (Consumer Price Index-CPI)*</td>
<td>3.36%</td>
<td>2.83%</td>
<td>2.70%</td>
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<tr>
<td>Utilities</td>
<td>$38.7M</td>
<td>$38.6M</td>
<td>$40.7M</td>
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## Contributions

<table>
<thead>
<tr>
<th>Category</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
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<tbody>
<tr>
<td>Special Education</td>
<td>$(274.8M)</td>
<td>$(313.5M)</td>
<td>$(319.8M)</td>
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<tr>
<td>Restricted Routine Maintenance (RRM)</td>
<td>$(53.9M)</td>
<td>$(54.6M)</td>
<td>$(50.5M)</td>
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</tbody>
</table>

*Year over year change
### General Fund Unrestricted Balance

<table>
<thead>
<tr>
<th></th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
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<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$163.1M</td>
<td>$112.6M</td>
<td>$42.4M</td>
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<tr>
<td><strong>Revenue</strong></td>
<td>$1,329.5M</td>
<td>$1,297.5M</td>
<td>$1,311.4M</td>
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<tr>
<td><strong>Contributions - Special Education, Routine Restricted Maintenance, Other</strong></td>
<td>($332.1M)</td>
<td>($374.4M)</td>
<td>($376.5M)</td>
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<tr>
<td><strong>Expenses</strong></td>
<td>($1,061.2M)</td>
<td>($1,019.7M)</td>
<td>($1,111.7M)</td>
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<td><strong>Transfers</strong></td>
<td>$13.3M</td>
<td>$26.4M</td>
<td>$10.3M</td>
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<tr>
<td><strong>Solutions Needed to Address Shortfall</strong></td>
<td>-</td>
<td>*</td>
<td>$163.7M</td>
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<tr>
<td><strong>Ending Balance</strong></td>
<td>$112.6M</td>
<td>$42.4M</td>
<td>$39.6M</td>
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<tr>
<td><strong>Required Reserves (2%)</strong></td>
<td>$40.4M</td>
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<td><strong>School Site Ending Balances</strong></td>
<td>$2.0M</td>
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<tr>
<td><strong>Stores, Prepaid, Revolving Cash</strong></td>
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<tr>
<td><strong>Designated Balance</strong></td>
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<td><strong>Reserve for Projected Shortfall</strong></td>
<td>$67.6M</td>
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</table>

*2024-25 is balanced with $93.7M in solutions reflected in the SACS report.

Note: Assume the full utilization of the Arts, Music, and Instructional Materials Discretionary Block Grant and the Learning Recovery Block Grant 2024-25 and 2025-26.
2024–25 Solutions*

Solutions focused on four areas:

- Revenue/Fund Balance
- Funding Shifts
- Attrition
- Prioritizing School Sites

*See January 4th and February 23rd Workshops for review of solutions
Personnel
Certificated Reductions

- 648
  - Particular Kind of Service (PKS)
  - Non-Reelect
  - Temp & Leave Replacement
  - Known voluntary exits

- 497
  - Particular Kind of Service (PKS)
  - Non-Reelect
  - Temp & Leave Replacement

- 234
  - Particular Kind of Service (PKS)

- 127
  - Anticipated number of educators who will not return in 2024-25
Classified Reductions

- Positions eliminated: 370
- Known voluntary exits: 370
- Positions eliminated: 250
- FILLED positions eliminated: 123
Impacts of Reductions

**CERTIFICATED IMPACTS**

PKS reduction may result in:

- Reassignment from one site to another in same service/credential area
- Reassignment from one service/credential area to another (may include site change)
- Layoff based on credential type and seniority

**CLASSIFIED IMPACTS**

Position elimination may result in:

- “Bump” into a vacancy in the same classification
- “Bump” into a formerly held classification
- Layoff
- For Classified, “bump chain” often impacts additional people by a factor of 3 to 5
What Comes Next

- March 8 through March 13: Site/Department leaders personally notify impacted employees
- March 12: Human Resources mails layoff/bump notices to impacted employees
- May 15: Final layoff/reassignment notices issued

- Human Resources applies Board-approved tie-breaking criteria for Certificated staff
- Human Resources continues to monitor additional attrition through remainder of 2023-24 fiscal year
- Human Resources will issue notices to employees no longer affected
- Recall rights apply after June 30
Continued Efforts

Attrition Model

Sweep and Scrutinizing Expenses

Expand Strategy Plans

Expand Zero Based Budgeting
Certification Status

Three Different Classifications

Positive: The district will meet its financial obligations for the current and two subsequent fiscal years

Qualified: The District may not meet its financial obligations for the current or two subsequent fiscal years

Negative: The District will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year
Recommended Board Actions

- **Resolution**: Approve the Resolution to Reduce or Eliminate Certain Certificated Services and Classified Positions

- **Second Interim**: Approve the Fiscal Year 2023–24 Second Interim Financial Report with a Positive Certification

- **Positive**: Based on the resolution going to the board, the District will meet its financial obligations in the current and subsequent fiscal years. This will require significant planning in order to solve the shortfall projected in 2025–26.
Thank You