

Marin County School Board Trustee Candidate Workshop

School Finance, Budget Development,
Local Control Funding Formula and Accountability,
AB1200 Fiscal Oversight

MARIN COUNTY OFFICE OF EDUCATION



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What do Trustees Need to Know About School Finance?

School Boards are responsible for the fiscal health of and effectiveness of school districts.

Revenue Sources

- Local Sources
- State Sources
- Federal Sources

Expenditures

- Personnel
- Student Activities & Curriculum
- Special Education
- Operations & Facilities

Expenditure Regulations

Expenditure Rules & Regulations

Personnel

- Collectively Bargained Agreements
 - Certificated
 - Classified
 - Non-Represented
- Negotiated Salary Settlements
- California Labor Laws

Student Activities & Curriculum

- Regulated by Funding Source
- As Determined by Local Plans (Local Control & Accountability Plan - LCAP)

Special Education

- Individuals with Disabilities Education Act (IDEA)

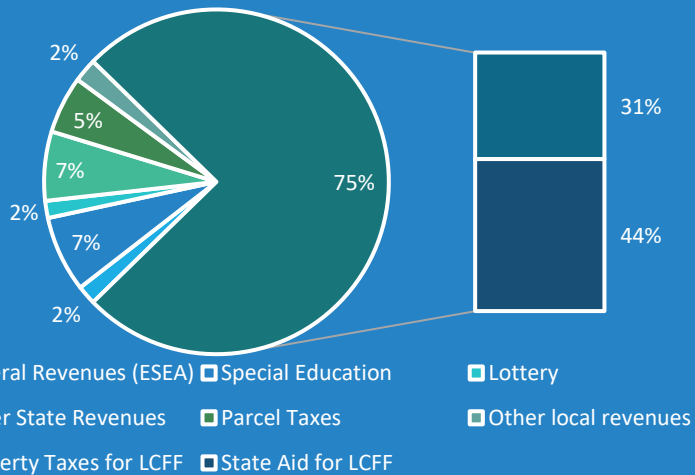
Operations & Facilities

- Numerous California laws
- Office of Public School Construction

Revenue Sources (Sample District)

As a percentage of all General Fund revenues

Revenue Sources K-12 School District



Local Control Funding Formula (LCFF) **75%**

- LCFF State Aid (44%)
- LCFF Property Taxes (31%)

Lottery **2%**

Special Education **7%**

Other State Funding **7%**

Parcel Taxes **5%**

Donations, Other Local Funding **2%**

Elementary & Secondary Education Act (ESEA) **2%**

Facility Bonds

- *Accounted for in a separate fund*

School Nutrition

- *Accounted for in a separate fund*

The Budget Development Cycle (Sample)

Boards are responsible for approving and revising district budgets three (3) times per year.

Initial Annual Budget development begins early

While developing next year's budget, the current year budget is also revised

November

- Enrollment projections for next school year are provided
- Budget Department provides best estimate of revenues

November through December

- Enrollment projections drive allocations
- Categorical funds are allocated
- Budget workbooks are developed by Budget Department
- First interim report due to the Marin County Office of Education

January

- Start of State's budget process
- Governor releases state budget document
- District gets first look at revenues
- State legislature begins budget process

February through March

- Budget workbooks are released to schools and central offices
- Schools / central offices complete budgets
- Budget workbooks returned to Budget Office

March through May

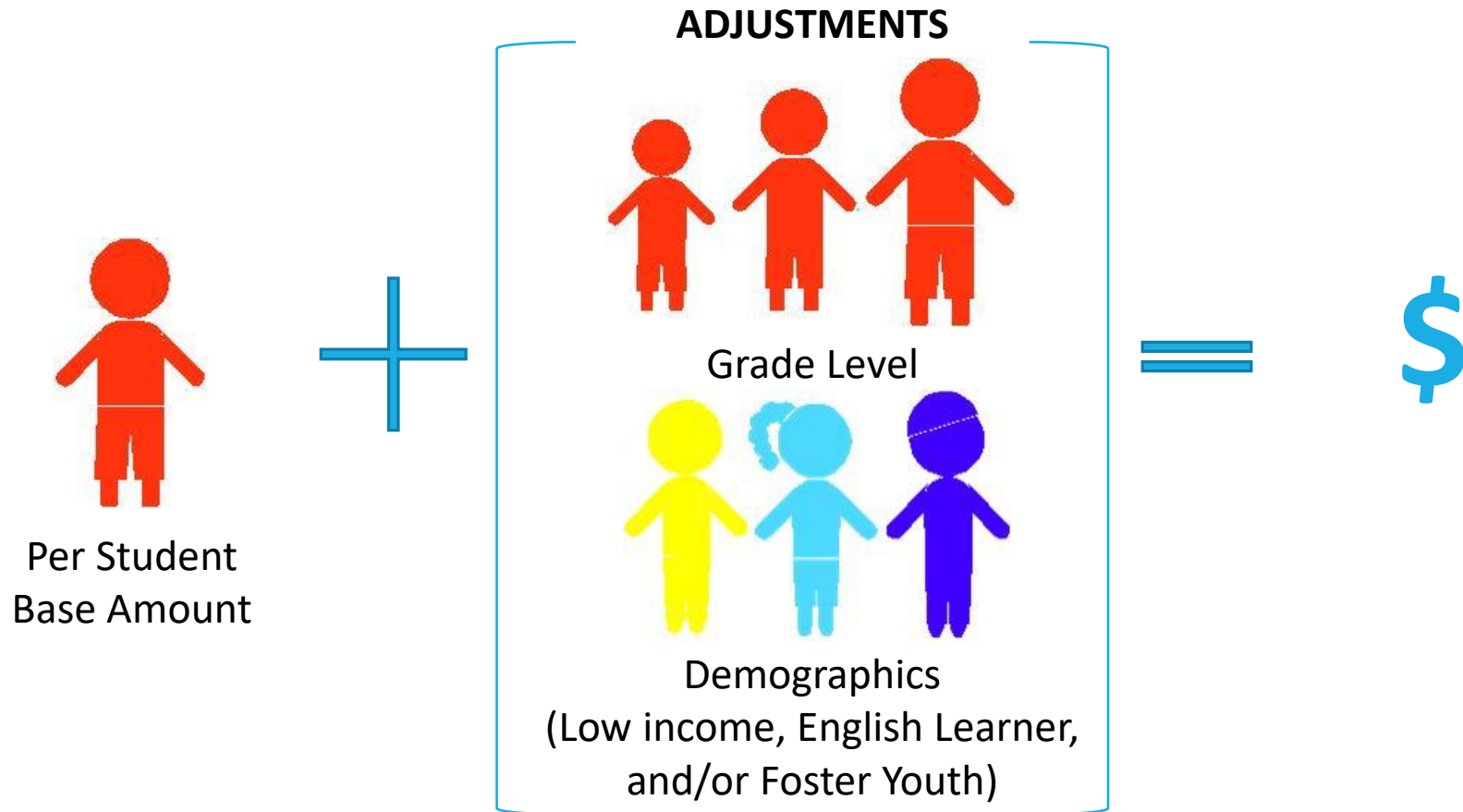
- Second interim report due to the Marin County Office of Education
- Budget Department combines school site and central office submissions to build overall district budget
- Governor's office issues "May Revise" budget – includes better indication of state revenues for the following year
- Budget Department revises district budget
- Legislature continues budget discussion

May through August

- Legislature continues budget discussion
- School district governing board must pass a budget by June 30 of each year, as per state law
- Targeted date for the Governor to sign the state budget is June 30 of each year
- Final state budget will inform district what revenues to expect for the year and may necessitate a "45 Day Budget Revision" to the Adopted Budget.

The Local Control Funding Formula (LCFF)

Greatly simplifies state funding for local educational agencies (LEAs)



2020-21 LCFF Funding Elements

Grade Span Funding

Specific amounts per grade span

- K-3 = \$7,880
- 4-6 = \$7,999
- 7-8 = \$8,236
- 9-12 = \$9,544

Additional amounts for K-3 and 9-12

- K-3 for Class Size plus 10.4% or \$820
- 9-12 for Career Technical Education plus 2.6% or \$248

Additional Funding for Identified Sub-groups

English Learners
Low Income
Foster Youth

Additional Funding for Single Counts of Specific Students

- Funding Calculated on percentage of enrollment
- Additional 20% for subgroups
 - Average additional \$1,736
- Additional 50% for subgroups
 - Average additional \$1,953
 - When subgroups exceed 55% of population
 - English Learners
 - Low Income
 - Foster Youth

Per Pupil Funding Sample Comparison

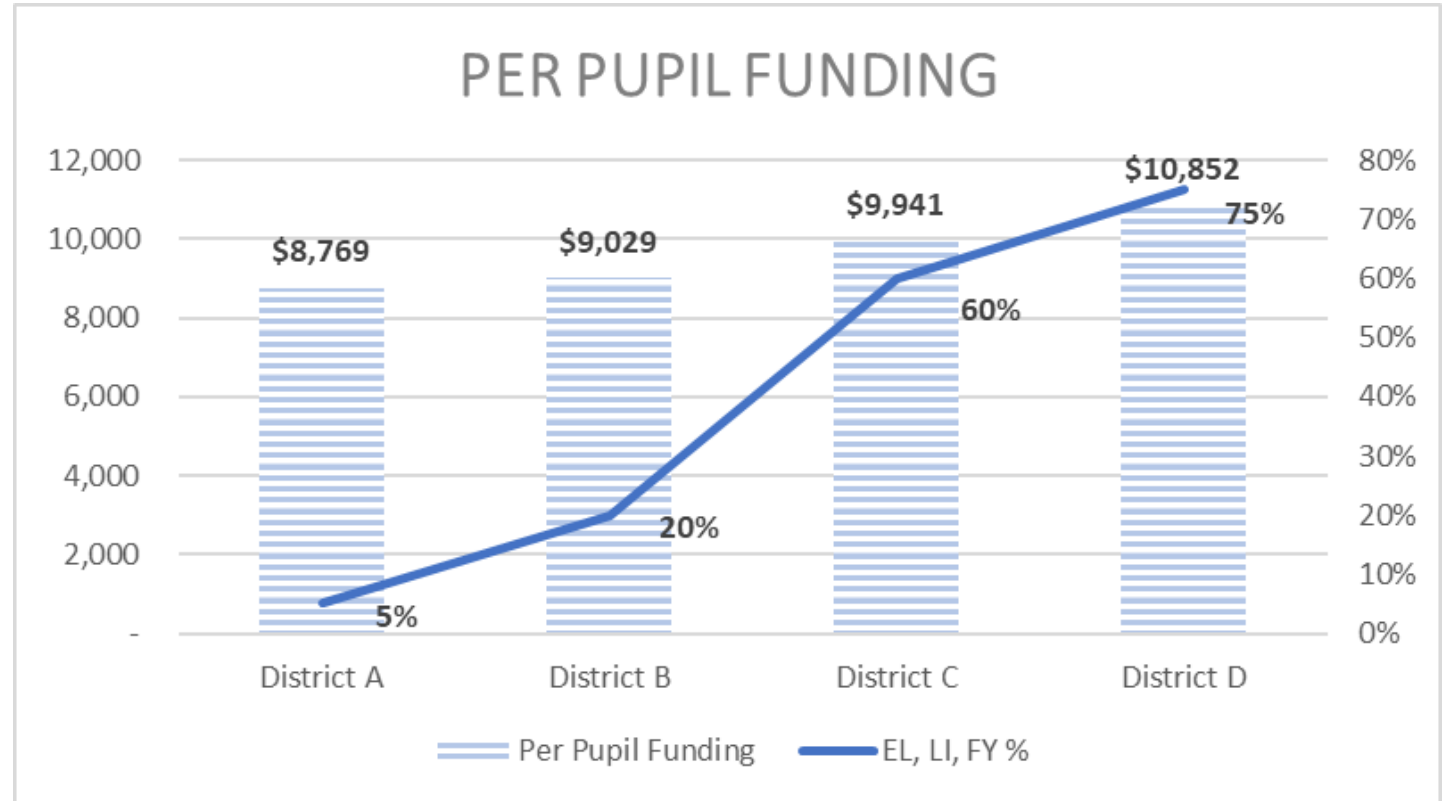
5% | 20% | 60% |
75%

EL = English Learners

LI = Low Income

FYS = Foster Youth Students

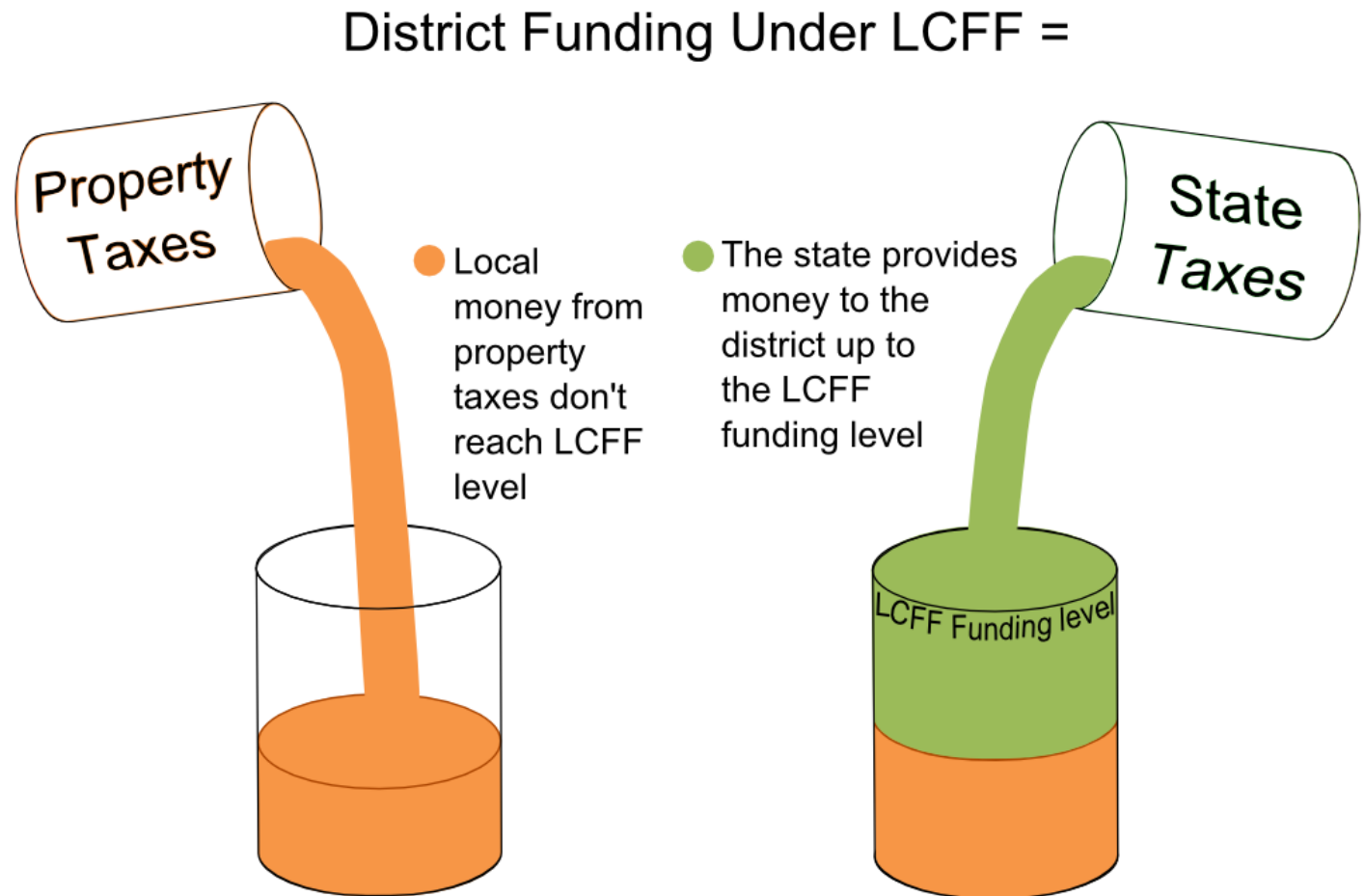
Estimates based on 2020-21



LCFF Funding Variables

Sources of Entitlement

- Property Taxes
- State Aid



Basic Aid Districts

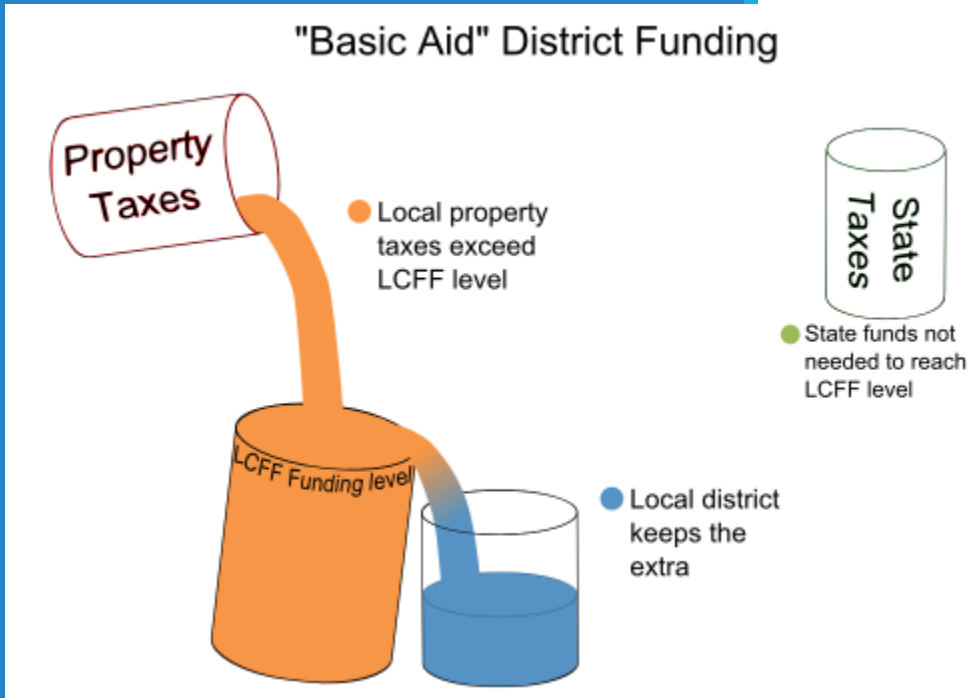
Keep excess taxes

Guaranteed same state funding as received in 2012-13

- Categorical funding under LCFF lose their restrictions
- No strings attached

Basic aid districts keep all property taxes

- Property taxes in excess of the formula are kept by the district.
- Sometimes districts change status from basic aid to state funded and vice-versa.
- Result of changes in variables – student attendance, demographics, and tax receipts.

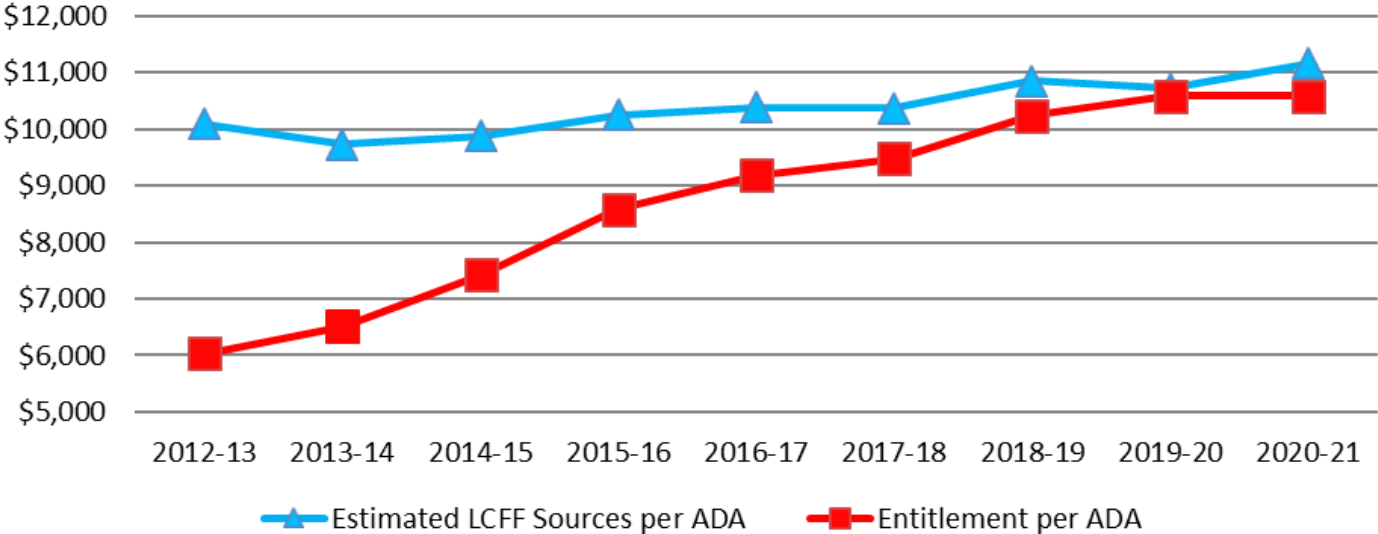


Local Control Funding per Pupil

Basic Aid
Example of
Funding per
Pupil

Red
LCFF Entitlement per Pupil

Blue
Higher Funding per Pupil
When Property Taxes Exceed
State Funding



Other Significant Revenue Sources

Marin County Schools are supported by their local communities

Parcel Taxes

- Most Districts in Marin County have a parcel tax.
- Parcel taxes comprise anywhere from 5% to 24% of a Districts' revenue sources in Marin County.
- More information can be found on [MCOE Website > District Parcel Taxes page](#).

Other Significant Revenue Sources

Marin County Schools are supported by their local communities

Foundations

- Most Districts in Marin County are supported by a locally organized Foundation.
- Foundation funds are often provided to support specific educational programs.
- All Districts in Marin County are supported by the collective efforts of the foundations in Marin through [Schools Rule Marin](#).

Other Significant Revenue Sources

Marin County Schools are supported by their local communities

General Obligation Bonds

- Most Districts in Marin County have been authorized by their voters to issue general obligation bonds.
- Bond proceeds are used for major construction projects and are deposited to and accounted for in a special fund outside of the general fund.
- Bonds are repaid with the collection of ad valorem property taxes.
- You can check your property tax bill online to see what districts bonds form the amount summarized on the tax bill.

Other Significant Revenue Sources

Marin County Schools also receive other State and Federal funds

Special Education Funding

- The primary source of other State and Federal funding for schools is to support Special Education services.
- Special Education revenues are disbursed to the local SELPA (Special Education Local Plan Area) and allocated to the Districts through agreed upon fiscal allocation plans.
- The state and federal funds received to support special education have not kept pace with the cost of providing services.
- On average, Districts in Marin provide 59% of the cost of special education with local revenue sources, up from 38% six (6) years ago.

Fund Balance

Ending Fund Balance

When revenues exceed expenditures in a given fiscal year the ending fund balance increases.

The fund balance is identified by component:

- Nonspendable
- Restricted for a specific purpose
- Committed to a board approved purpose
- Assigned for a broadly identified reason
- Unassigned:
 - Reserve for Economic Uncertainties
 - Unappropriated

Fund Balance & Reserves

Reserve for Economic Uncertainties

Reserve for Economic Uncertainties

The reserve for economic uncertainties (REU) is defined as a percentage of total general fund expenditures.

The State sets the minimum REU percentage: most school districts in Marin County are required to maintain at least 3%.

The Governmental Finance Officers Association (GFOA) recommends maintaining an REU equal to 16% of expenditures – or approximately two(2) months of payroll cost.

Best practice is to adopt a board policy relative to fund balance and reserves.

COVID-19 Relief and Response

COVID-19 Pandemic 2020-21

The COVID-19 Pandemic has impacted all aspects of K-12 education and school operations. For business support services the major impacts include:

- State Budget Adoption necessitated 45 Day Budget Revision to LEAs Adopted Budgets
- Accountability under the LCFF for 2020-21
- COVID-19 Relief and Response Funding
- Human Resource ramifications including collective bargaining
- Liability and Insurance

State Budget Adoption 2020-21

The Governor's May Revision upon which most LEA's Adopted Budgets were based included a 10% cut to Local Control Funding Formula (LCFF) revenues as well as reductions to the few remaining categorical funding sources.

The State's Adopted Budget for 2020-21 differed significantly, essentially freezing LCFF funding at 2019-20 levels and adding significant federal revenues for Learning Loss Mitigation.

Education Code 42127(h) requires that not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

School Finance, Instruction and Accountability for 2020-21

LEAs will receive funding in 2020-21 based on 2019-20 average daily attendance (ADA) essentially holding districts harmless from pandemic related attendance losses.

LEAs will also receive federal funding for Learning Loss Mitigation totaling over \$18.5 million county-wide in Marin. Funds shall be used for activities that directly support pupil academic achievement and mitigate learning loss related to COVID-19 school closures. The greater proportion of these funds must be expended by December 30, 2020.

Learning Continuity and Attendance Plan 2020-21

Due to the uncertainties caused by the COVID-19 pandemic, the Local Control and Accountability Plan (LCAP) is not required for 2020-21.

Instead, Districts must prepare a Learning Continuity and Attendance Plan. The plan is designed to identify how school will be operated in 2020-21 and how students will be served in light of the pandemic.

As with the LCAP, the Learning Continuity and Attendance Plan must be developed with stakeholder input and must identify how services will be increased or improved for Low Income students, English Learners and Foster Youth.

The plan should describe how federal and state funding is used and should at a minimum include all COVID-19 relief funds.

COVID-19 and Human Resources 2020-21

A district's response to COVID-19 may trigger a change in working conditions, thereby necessitating negotiations with bargaining units.

All negotiations with bargaining units have financial impacts to a district's budget, whether direct or indirect.

The Families First Coronavirus Response Act provided employees with access to paid sick leave and extended family medical leave rights due to COVID-19. The federal government funds these leaves for businesses and non-profits but not for public agencies, including school districts. As a result, any such leaves represent additional costs.

Liability and Insurance

2020-21

Marin County School Districts are all members of the Marin Schools Insurance Authority (MSIA), a Joint Powers Authority (JPA) for Insurance purposes.

The MSIA Board is closely monitoring legislation pertaining to workers compensation as it relates to COVID-19.

The Board is also monitoring legislation for school district indemnity from COVID-19 as the current liability policy contains an exclusion clause for pandemic related losses.

Fiscal Oversight Under AB 1200

AB 1200

County Superintendent
Fiscal Oversight and Budget
Approval

The county superintendent is responsible for determining if a district can meet its financial obligations in the current and two subsequent fiscal years.

- Determine if district meets minimum reserves
- Assess projected revenues and expenditures
- Positive, Qualified or Negative Certification
 - **Positive** – Meets financial obligations in current + two (2) years
 - **Qualified** – May not meet financial obligations in current + two (2) years
 - **Negative** – Will not meet financial obligations in current + one (1) year

Review collective bargaining agreements, and non-voter approved debt.

AB1200 is a continuous process, performed year round.

County Superintendent's Responsibilities

Under AB 1200 & AB 2756

Three (3) Ongoing Activities:

- Review
- Approval
- Monitor

Goal: To assist districts in maintaining fiscal stability through a pro-active, early intervention system.

Periodic Reviews

Fiscal Document	County Superintendent Responsibilities
Adopted Budget	Approve Conditionally Approve Disapprove
Interim Budgets	Certify Positive or Certify Qualified or Certify Negative
Collective Bargaining Agreements	Review If Qualified or Negative, Provide Written Comment
Annual Financial Reports	Review
Independent Audits	Review
AB 139 (Fraud Misappropriation)	Review / Investigate

External Reports Review

Under AB 2756

AB 2756 broadened the responsibility of the County Superintendent to include the assessment of:

- Studies
- Reports
- Evaluations
- Audits

that contain a finding of fiscal distress or where a district has at least three (3) of the 15 most common predictors of a school district needing intervention as determined by the Fiscal Crisis Management and Assistance Team (FCMAT).

Districts shall submit to the County Superintendent any report by an outside evaluator that shows the district is exhibiting signs of fiscal distress.

Review of Collective Bargaining Disclosures

- Before approving a collective bargaining agreement, the provisions of that agreement must be disclosed at a public meeting of the district governing board.
- District superintendent and CBO *“shall certify in writing that the costs incurred by the district under the agreement can be met by the district during the term of the agreement.”*
- A school district with a qualified or negative certification shall allow the county superintendent at least ten (10) days to review and comment on any proposed collective bargaining agreement before that agreement is approved by the district governing board.
- County Superintendent must notify the district superintendent, board, *“and each parent and teacher organization of the district if agreement would endanger the fiscal well being of the district.”*

Other COE Oversight Responsibilities

Review of Annual Financial Reports

The County Superintendent reviews the annual financial reports of the school districts in the county.

Review of Annual Audit Report

The County Superintendent is required to review the annual independent audit report and certify resolution status of district audit findings to State Controller's Office (SCO) and California Department of Education (CDE).

Relationships are Key

AB 1200 & AB 2756 fiscal oversight is most effective when there are strong working relationships, good communication and information exchange between districts and county offices of education.

District

- Good Financial Practices
- Ongoing Communication with COE

County Office of Education (COE)

- Knowledgeable staff with an understanding of district operations
- Ongoing communication with district throughout the year
- Good systems of monitoring with proactive review

School Districts & County Offices

A partnership set in statute
to ensure the overall success
of school districts

School District Trustees Contribute to the Successful Governance of a School District by

- Understanding the governing board's role as the fiscal steward of the district
- Understanding revenue sources
- Understanding expenditures regulations
- Understanding the LCAP and its role in moving student achievement
- Understanding the role of the County Superintendent

For Your
Interest In
Serving!

Your support and
contributions matter!

*Thank
You!*

