

Budget Report

February 2, 2021

Leonard Kahn, CBO

“We strongly caution the District to avoid multiyear commitments (on-going costs) that could impact the financial stability of the district”

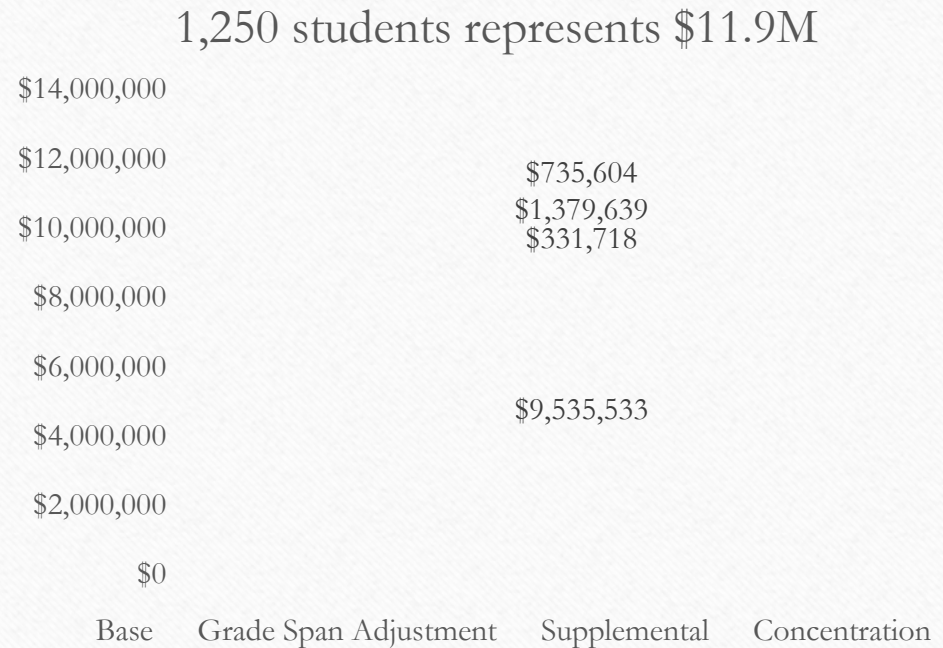
SJCOE's 1st Interim letter to Lodi USD

Declining Enrollment

- Declining birthrates nationwide and worldwide
- Student shortage is here and is severe
 - While some talk of a “teacher shortage”...
 - ...THE FACT IS CURRENTLY THERE IS A SEVERE “STUDENT SHORTAGE”
 - **Down 1,250 students since 18-19**
 - **This enrollment decline represents a revenue decline equal to 148.75 teacher FTE**
 - **Realistically, we might be able to reduce teacher FTE by about 100 (due to CSR, BA class-size caps, SPED, EL, etc.**

Financial impact due to declining enrollment

- 1,250 student decline = loss of \$11.9M in LCFF Revenues
- We will see this fiscal funding cliff in FY 22-23 because our ADA is held harmless as of 19-20
 - Base and add-ons such as grade-span adjustment, Supplemental & Concentration



Teacher Staffing

Fiscal Year	Enrolled students, 1/15/21	Certificated Teachers FTE (obj 1100)*	Estimated Budget Cost**	Student: Teacher Ratio
20-21	27,377	1,356	\$108.4M	20.18
21-22 estimated	26,996	1,356	\$110.6M	19.90
22-23 estimated	26,456	1,356	\$112.8M	19.51

- *There are 29.26 open FTE
- **Assumes \$80,000/yr with a 2% increase due to step & column and increased statutory benefit costs

2019-2020 3.26% COLA Saved Jobs for One Year Only

In 2020-2021...	Teacher FTE's	Total Cost	Difference	2019-2020 COLA	2020-2021 COLA
Current Teacher FTE's in Budget	1,356	108,400,000.00			
50 Teacher FTE Reduction	1,306	104,402,949.85	3.69%		
100 Teacher FTE Reduction	1,256	100,405,899.71	7.37%		
COLA				3.26%	0.00%

Analysis of COLA

- 3.26% COLA in 19-20
- 0% COLA in 20-21
- Ways to look at COLA –
 - The 3.26% COLA in 19-20 provided by the state partially covered two years' worth of staff annual step and column and increased statutory benefit costs. These costs increase every year, regardless of funding the district receives, COLA inclusive.
 - The 3.26% COLA in 19-20 provided by the state partially covered one years' worth of maintaining teacher staff at 2019-2020 levels
- In other words, although the district is in severe declining enrollment, this COLA, along with the district's reserves, went to save jobs in 20-21.
- When the funding cliff comes, the COLA will NOT BE SUFFICIENT to even do this

Mid-year budget cuts

- If considering on-going costs, the Board of Education would need to resolve to make mid-year cuts from existing budgets
- In essence, the balance sheet would need to be recast in a manner that would institute hard restrictions on increased spending in future years
- Hard spending restrictions are normal in a contracting revenue environment, and have in effect been practiced by the Board in prior decreasing revenue environments
- Increased LodiUSD spending in prior years was based on increased revenue receipts earned as the LCFF Gap was funded; that is all over and student enrollment declines are the clear and present danger

21-22 Update & Proposals

- 20-21
 - No change to deferrals in FY 20-21
 - 21-22 will be paid in July rather than spread out
 - June → July deferral ongoing
 - New funding that needs Legislative action
 - In Person Instruction Grant
 - Preliminary estimates between \$11.6M - \$15.5M
 - Expanded Learning Time
 - \$4.6 billion
 - Preliminary estimates TBD

1st Interim Assignments

	20-21 1st Interim	
Assignments		
Programatic Reserve	\$	4,000,000.00
Operational Reserve	\$	21,152,204.03
LUSD Designated for Econ Uncert	\$	12,250,000.00
IMF Reserve	\$	5,000,000.00
Unforeseen SpEd Costs	\$	5,000,000.00
ACA Penalty Reserve	\$	425,000.00
2018-19 One Time	\$	2,000,000.00
Retain and Recruit	\$	9,000,000.00
PERS Reserves	\$	6,737,393.00
LCAP Reserves from 19-20	\$	4,069,658.00

Special Ed

- AB 602 base funding
 - New base funding rate of \$634.38 / ADA
- Early Intervention Grant
 - Another one time, like FY 19-20
 - Preliminary estimate at \$2M

Additional Federal CARES revenues

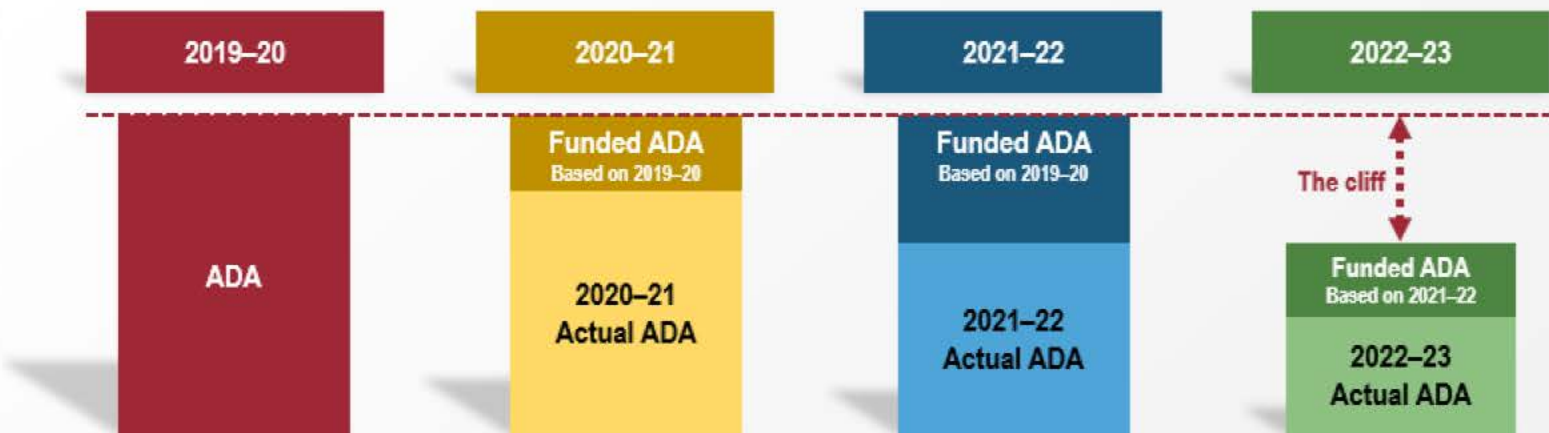
- ESSER II
 - Similar allocation to ESSER I ~\$6.3M
- GEER
 - Under review

Implications in FY 22-23

- LCFF funding cliff
 - For Lodi USD, ADA held harmless as of FY 19-20 P2 ADA
 - FY 22-23 is when we will see the drop in funding due to our declining enrollment
- Reserve caps triggered
 - FD 01 + 17 Assigned + Unassigned cap at 10%

92 **2021-22 ADA Impacts**
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- The adage “There is no such thing as a free lunch” applies to the current-year ADA hold harmless provision—that is to say, many school districts will experience a funding cliff at some point in the future if they are experiencing natural attendance declines exacerbated by COVID-19



- Significant drops in LEAs’ LCFF unduplicated pupil counts, which were not held harmless, and enrollment loss from COVID-19 will determine the full cliff effect

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2021-22 ADA Impacts

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- The Governor's Budget proposal does not include an ADA hold harmless provision for 2021-22
- However, since the state is not collecting attendance for 2020-21, school districts will be able to use the higher of their 2019-20 or 2021-22 ADA in 2021-22
 - School districts that received growth funding in 2020-21 retain the higher ADA
- School districts with declining enrollment school district should align staff to actual student counts and prepare for 2022-23

MYP for Declining Enrollment Districts

