



Beverly Hills USD since both districts are like-districts, Basic Aid Districts. To prevent borrowing more than needed, staff will look at alternate forms of liquidity to borrow just enough that District needs as well as getting a better handle on budgeted to actuals.

SSC Fiscal Report: Cash Flow: The Good, the Bad, and the Ugly” posted May 5, 2020 may be found at the end of these minutes.

## **V. Discussion/Action Items**

### **A. Measure R Annual Plan (15 min) – Timestamped 4:30 p.m.**

4:34 pm

Dr. Mora and Mr. Whaley provided responses to the below committee questions from the FOC March meeting:

1. What has been the enrollment and participation rate of students in the Mariachi Programs district-wide?
2. Does the enrollment and participation rate require the outlined “leads and staff” for the Mariachi Program?
3. What is the primary reason for the increase in Consultant cost from 15K to 20K in the Arts & Music section?
4. What is the reason for the expenditure outlined as Professional Development/Recruitment at 4K in the Arts & Music section?
5. What is the reason for the significant increase in Teacher Hourly & Subs in the PE Program section?
6. In the PE Program section, why is there only a supply budget for 7th grade ISPE and not 6th grade as well?
7. In the Technology section, what makes up the significant increase to Maintenance Agreements by 175K?

Staff’s written response to the FOC questions as well as the Measure R trend analysis may be found at the end of these minutes.

Ms. Canady reported that the Measure R annual plan will be presented in a different format. Under Expenditures, instead of “General Education teachers”, there will be more specificity to show the grouping of specific types of teachers.

The language of the measure does use the “loss of funding by the state.” The committee sees opportunity for improvement on clarity and more detail. On average, 87%-93% of Measure R revenue goes to teaching staff. Staff reported that the funding and reporting meets the criteria set in the measure, and there is no likelihood that the monies went to

any other programs other than to teaching staff. Therefore, the committee sees that expenditures have followed the letter and spirit of the law of what was intended.

The committee reviewed the request from the School Board President that the FOC review the reporting process, and also assure the Board that all requirements were being met as far as Measure R reporting. As a result of this discussion, committee recommendation was made that staff come back with a detailed annual plan as discussed and will vote on recommendation of adoption of the Measure R annual plan at June 11<sup>th</sup> FOC meeting.

Ms. Murano and Ms. Ford addressed the committee regarding this item.

#### B. Public Correspondence addressed to Financial Oversight Committee

5:35 pm

The committee addressed the public correspondence with staff presentation under Agenda Item V.A. Measure R Annual Plan.

The public correspondence dated from 4/3/2020-4/5/2020 and 4/28/2020-4/30/2020 may be found at the end of these minutes.

#### C. Budget (30 min)

5:37 pm

##### 1. Update from Assistant Superintendent, Business and Fiscal - Melody Canady

Ms. Canady provided an overview of the 3<sup>rd</sup> budget revision that will be presented at the May 21, 2020 Board of Education meeting.

The following 3<sup>rd</sup> budget revision documents may be found at:

Presentation: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=29048&MID=2647>

Attachment: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=29049&MID=2647>

Multi-year Projection: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=29050&MID=2647>

Fiscal Stabilization Plan: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=29118&MID=2647>

Interim Report Review: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=29052&MID=2647>

The Fiscal Stabilization plan is staff recommendation to the Board. SBAC will opine and assist with the 2021-22 budget. The committee voiced its concerns over the projections and the likely deficits. The committee asked that staff use conservative projections and to look at other sources for forecasting. The committee particularly Mr. Landres, Mr. Jacobson and Mr. Kremer noted that they would like to see the final budget recommendations, that District staff should be in constant touch with City of Santa Monica staff, and that a more conservative approach to the TRANs was necessary.

2. Superintendent Budget Advisory Committee Meeting

6:38 pm

Ms. Canady reported that the next meetings are scheduled for June 22<sup>nd</sup> and June 30<sup>th</sup>.

3. Assessment and Impact of City of Santa Monica May 5, 2020 Council Agenda Item# 8.A. *Santa Monica: A Plan for Our Future - City Restructuring and Associated Modifications to the Fiscal Year 2020-21 Budget Resulting from Economic Impacts of COVID-19 Pandemic*

4:20 pm

Mr. Landres reported that in the City of Santa Monica restructuring, the City Council reverted a portion of GSH money to the City's general fund from the housing trust fund. The City did not do this with education money but it is worth noting. Under the emergency circumstances, there was for the first time since the advisory measure passed, a move that was approved in principle by the City Council to return money to the General Fund that is against the advisory wishes of the voters. Furthermore, future Measure GSH revenue looks volatile. Suggested sources include travel and tourism forecast as well as conference and visitor business as better predictors of cashflow coming into City of SM in the next 12-18 months.

Mr. Crawford reported that as part of his subcommittee work, he has been in contact with the City of Santa Monica and there has been no discussion regarding pushing back on school district funding.

Ms. Mulvaney informed the committee that there is a 3-year contractual obligation with the joint use agreements so the City is required to notice the District at least 3 years in advance of any funding changes.

The City of Santa Monica Council Agenda may be found at:

<https://www.smgov.net/departments/clerk/agendas.aspx>

4. Santa Monica Mirror: Source Says 1/4 of Santa Monica City Employees May Lose Jobs published April 14, 2020

The Santa Monica Mirror article may be found at:

<https://smmirror.com/2020/04/source-says-1-4-of-santa-monica-city-employees-may-lose-job/>

6:40 pm

D. Bond Committee Recommendations

The subcommittee reported that they are still working on the recommendation for Bond threshold policy and will have an outline at the June 11, 2020 FOC meeting.

## E. Committee Report to the Board of Education

6:40 pm

### 1. Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar*

Mr. Jacobson reported that members have not met as there was hope that SBAC would have directed the subcommittee in this regard.

### 2. Tax Revenue and Assessed Valuations: *Mr. Kremer, Ms. Mulvaney, Ms. Slaugh Nahass*

Mr. Kremer and Ms. Mulvaney will have a short presentation focused on redevelopment and assessed value at the next FOC meeting. This is also more about process and not relying on LACOE in forecasting but the County of Los Angeles instead.

### 3. Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar, Mr. Landres*

Mr. Crawford reported that the subcommittee had conversations with the City Treasurer, David Carr. Aside from process improvements, the subcommittee recommends going forward that the property tax valuation be included with Measure GSH as the issues are very similar since both are revenue, just different sources.

### 4. Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford*

Mr. Jacobson reported that the subcommittee met twice and have been tracking the advisory group; trying to find ways to do things with no money. The sustainability coordinator is on board through June or however long Prop 39 funds last. Commitment have been received from the Malibu Foundation for programs in Malibu. The subcommittee is looking for funding in the Santa Monica area. The subcommittee has been working with the sustainability coordinator on a cost savings analysis of how much money is saved from sustainability programs to the general fund.

### 5. Special Education: *Ms. Maniar, Mr. Kremer, Mr. Levis-Fitzgerald*

Ms. Maniar reported that the subcommittee met several times and there is a work in progress report to include some high-level feedback that will be sent out to the full committee before the June 11, 2020 FOC meeting. The subcommittee reported that they have seen response and changes across programming, para-educator policies and systems of tracking. With new Special Education leadership, there have been a lot of impressive changes made to find cost efficiencies. The subcommittee have not done the analysis but there may be a lot of things that will fall out due to COVID and change in service levels for IEPs. This charge may not be needed for this coming year but to keep it on the FOC's radar and should legal settlements increase, the committee can revisit.

6. Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer*

No report.

6:48 pm

F. Mandates for 2020-21

The committee will include suggested mandates for next year in the FOC annual report to the Board.

6:50 pm

G. Nominating Subcommittee Recommendation for Membership effective July 1, 2020

There are four (4) upcoming vacancies with terms beginning July 1, 2020. Mr. Landres and Mr. Kremer expressed interest in continuing to serve on the committee. The subcommittee will consider individuals who expressed interest in 2019. A press release will also be sent out.

6:58 pm

H. Chair and Vice Chair nomination for 2020-21

A motion was made by Ms. Mulvaney and seconded by Mr. Landres to nominate Mr. Jacobson as Chair and Mr. Kremer as Vice Chair.

AYES: Ten (10) (Mr. Crawford, Mr. Farivar, Mr. Jacobson, Mr. Kremer, Mr. Landres, Mr. Lee, Ms. Maniar, Ms. Mulvaney, Mr. Levis-Fitzgerald, Ms. Slauch Nahass)

STUDENT ADVISORY VOTE: None (0)

NOES: None (0)

ABSENT: One (1) (Mr. Covington)

ABSTAIN: None (0)

7:01 pm

I. 2020-21 Meeting Dates

The following are the FOC meeting dates for 2020-21:

- Wednesday, September 9, 2020
- Thursday, October 8, 2020 – Malibu City Hall, Multipurpose Room
- Thursday, November 12, 2020
- Thursday, December 3, 2020
- Thursday, January 7, 2021
- Thursday, February 11, 2021
- Tuesday, March 11, 2021– Malibu City Hall, Multipurpose Room
- Thursday, April 15, 2021
- Wednesday, May 12, 2021
- Thursday, June 10, 2021
- TBD (July 2021) \* Please note: This is a Joint Meeting / Study Session with the Board of Education - *SMMUSD District Office Board Room, 1651 16<sup>th</sup> Street.*

**VI. Receive and File (Limited Discussion)**

7:02 pm

- A. SSC Fiscal Report: 2018-2019 Reserve Levels posted March 20, 2020
- B. CalPERS Prefunding Programs (CEPPT & CERBT) Workshop Presentation
- C. General Obligation Refunding Update presentation - 4/1/20 Board of Education meeting  
<https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=21493&MID=2365>
- D. SMMUSD GO Savings Update 2020-04-01 (SLGS +85 bps)
- E. SMMUSD GO Savings Update 2020-04-01
- F. Yamamura, Kevin. "California faces \$54B budget deficit" Politico California, 7 May 2020,  
<https://www.politico.com/states/california/story/2020/05/07/california-faces-54b-budget-deficit-1282926>.
- G. SSC Fiscal Report: COVID-19 Decimates State Revenues, Education Funding posted 5/7/20
- H. SSC Fiscal Report - Senate Returns to Hear Emergency Education Bills posted 5/11/20
- I. SSC Fiscal Report: 2020–21 May Revision Proposes LCFF Cuts and Deferrals, but Some Good News Too posted May 14, 2020
- J. SSC Fiscal Report: Dartboard for 2020–21 May Revision Now Available posted 5/19/20

**VII. Public Comments**                      None

**VIII. Committee Comments**                      None

**IX. Next Meeting:**                      Thursday, June 11, 2020 at 4:00 p.m. via Zoom

**X. Adjournment:**                      The meeting adjourned at 7:06 p.m.

[Click Here for COVID-19 Related Resources](#)

# FISCAL REPORT

*PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS*

## Cash Flow: The Good, the Bad, and the Ugly

✓ [BY SHEILA G. VICKERS](#)

✓ [BY DEBBIE FRY](#)

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posted May 5, 2020

This was the title of a workshop that we developed at School Services of California Inc. (SSC) during the Great Recession. Given the impact of the COVID-19 pandemic on the economy, state revenues, and resources for local school agencies, cash flow management will be rising to the forefront once again.

One of the tools used by the state during the Great Recession was to defer cash apportionments to school districts across year-end to reduce state appropriations to K-12 education without actually imposing a cut in funding to local educational agencies (LEAs).

These deferrals were to solve state budget problems. Cash deferrals during the year, as well as those across year-end, were strategies used to solve the state's cash flow problems.

Depending on how deep or long the current downturn is, cash deferrals to LEAs will be a likely method used by the state of California to weather the economic slowdown. Effective cash management by LEAs during the Great Recession kept them solvent and helped them avoid falling into state receivership during the worst economic crisis that most of us had seen in our lifetimes. Many of the lessons learned at that time can help us all now and as we move forward into the coming months and years.



## What Is the Cash Balance Versus the Fund Balance?

The cash balance at any given point in time is not the same as the fund balance; cash is but a portion of the fund balance. In fact, during the depths of the Great Recession, on average statewide only 49.5%—less than half—of school district General Fund balances consisted of cash.

Dwindling reserves mean less available cash. And it is entirely possible to maintain the state mandated minimum level of economic reserves, yet be out of cash, especially when the state implements cash deferrals. Even LEAs with higher reserves need to actively manage cash and implement cash borrowing to ensure they make payroll and fulfill their other legal obligations. Remember, cash shows no mercy—you either have it or you don't.

## What Is Cash Flow Versus Budget?

Cash flow measures the difference between available cash at the beginning of a year, month, or week, to the cash available at the end of that period. Every day cash transactions occur, such as:

- An invoice for use of facilities is paid by a community group, increasing the LEA's cash balance
- A vendor warrant is processed, decreasing the LEA's cash balance
- A state apportionment payment is received, increasing the LEA's cash balance
- A paycheck is processed, decreasing the LEA's cash balance

Cash flow is not the same as a budget. A budget is estimates based on a set of assumptions for revenues and expenditures, essentially planning for the whole fiscal year at one time. Cash flow primarily represents the budgeted revenues and expenditures that become actual cash inflows and outflows during each month, week, or day of the year.

Most LEA cash flow plans are prepared on a monthly basis, as that is consistent with Form CASH in the Standardized Account Code Structure (SACS) software. But cash flow can be represented on a weekly or daily basis if needed. In fact, during the Great Recession, it was typical for an LEA to prepare cash flow plans by splitting December and April into two periods—the 1st through the 10th, and then the rest of the month—so that cash could be projected and monitored more closely during those months. This is because, for many

LEAs, property taxes are a significant portion of cash received on the revenue side, and the due dates for property owners to pay their taxes each year are April 10th and December 10th.

The bottom line is that the cash flow projections detail how the LEA will meet its cash flow needs each month. They indicate when the LEA needs to prepare for borrowing cash in order to meet cash demands during the fiscal year or across year-end.

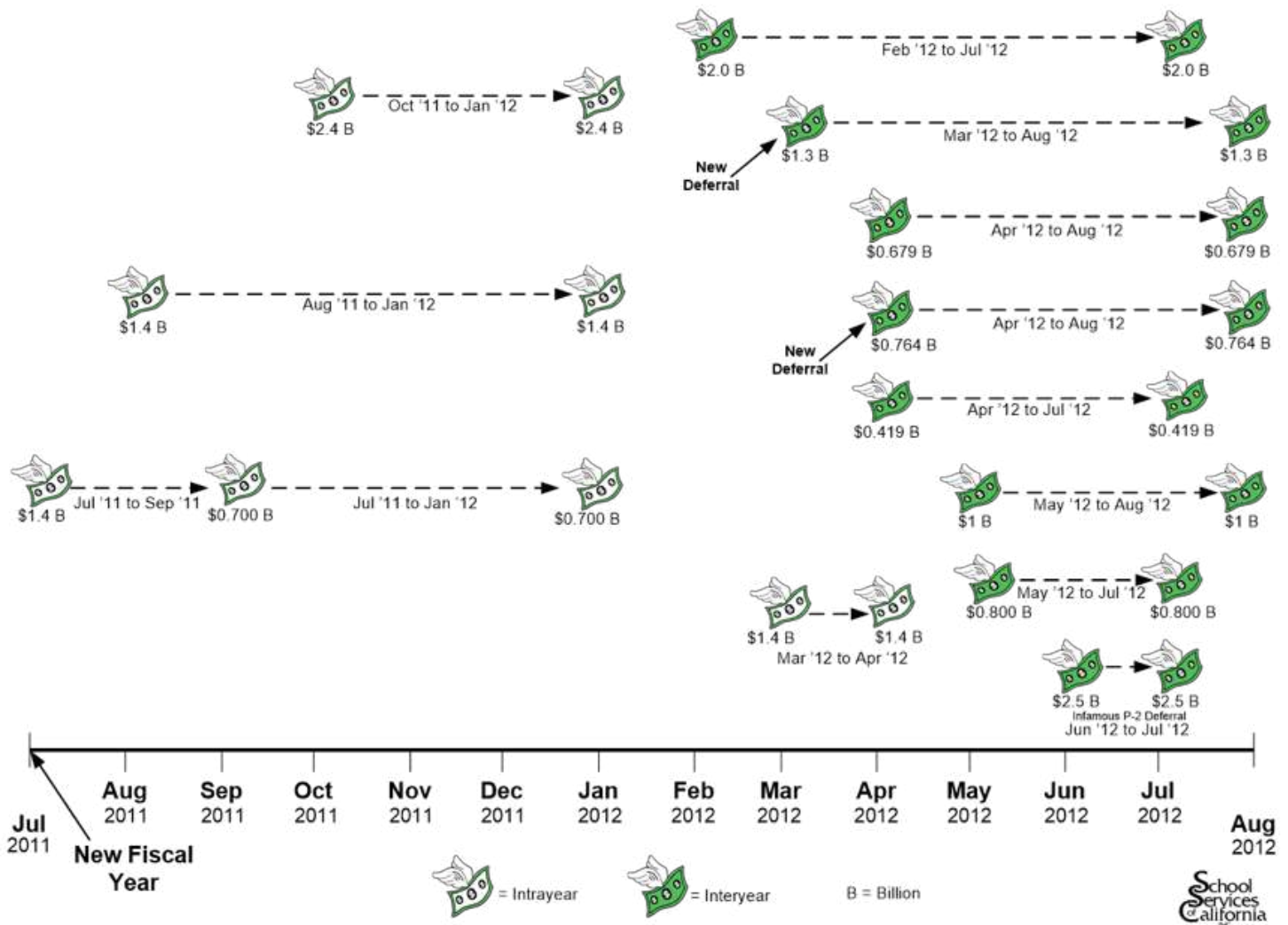
## **What Is a Cash Deferral?**

During a typical year the state needs to borrow cash to smooth out its cash deficits, and its borrowing needs increase when its reserves are low. This is because about 60% of the state's expenditures actually occur in the form of cash outflows during the first half of the fiscal year, while the majority of its revenues are received late in the fiscal year. The state has options to borrow cash internally—between its various funds—and externally. However, during the Great Recession, state revenues plummeted, and so did the state's credit rating. Also, cuts to education funding were needed to help balance the State Budget. Deferrals have been a tool for the state to deal with its budget and cash problems.

Before the Great Recession, the state had already implemented one significant K–12 cash deferral—the Second Principal (P-2) Apportionment payment to schools was deferred from June to July. This way the state was able to score a cut in education funding on its books for the closing year, while allowing K–12 LEAs to count the revenue in the closing year even though the cash was received in the following year (this was indeed a violation of accounting principles for revenue recognition, but that's an argument for another day).

The P-2 deferral had been in place for several years when the Great Recession hit in 2008. During the Great Recession the state continued to defer more and more cash payments to schools, across the months during the year as well as across year-end. This was the chart that we at SSC created to illustrate the magnitude and timing of the various cash deferrals:

## 2011–12 Apportionment Deferrals



By the 2011–12 fiscal year—the peak of the K–12 cash deferrals—the total was almost \$10 billion, or 40% of the principal apportionment. In essence, the state pushed its cash flow burden to LEAs, requiring LEAs to incur the additional costs of borrowing for cash flow purposes.

### Will There Be Deferrals Again?

As stated earlier, the state can implement cash deferrals as a way to solve either a budget problem or a cash problem or both. While the state is currently sitting on more cash in reserves than when the Great Recession began, all signs are that the state has an immediate budget problem to solve, so we believe there is a potential for this year's P-2

apportionment to be deferred from June to July. Depending on how significant and prolonged this next recession is, the state may have a cash problem to solve as well, which could lead to additional cash deferrals.

## Next Steps

The first step is to update your LEA's current-year budget to reflect the COVID-19 impact and other changes that have occurred since the Second Interim report. Then your preliminary budget for next year along with the multiyear projections should be prepared with the latest information that is available (see "[Time to Fine-Tune MYPs—Be Prepared](#)" in the April 2020 *Fiscal Report*).

Once your cash flow projections are updated through the latest month end, the next step is to use this updated budget information to update your cash flow projections for the current year and next year—not just for the General Fund but for all of your LEA's funds. These projections can be used to develop different scenarios, such as a P-2 deferral this year and next year, reduced state revenues next year, etc., to see how these will impact your LEA's cash. For each of these projections, look at the cash balances at the end of each month to ensure that there is sufficient operating cash.

If the cash flow projections indicate that your LEA might need to borrow cash to bridge any cash deficits during the year or across year-end, there are several sources from which LEAs can borrow cash:

- Other funds of the LEA (Education Code Section [EC §] 42603)
- Tax and Revenue Anticipation Notes, or TRANs (Government Code Section 53850 et seq)
- Your local county office of education (EC § 42621 and 42622)
- Your local county treasurer (EC § 42620)

All of these options require that the cash borrowed must be paid back within a year or less, with few exceptions. In other words, these types of borrowing options are not a source for a financial bailout. They each have their own requirements and timelines, so they all require

some planning and preparation ahead of time. This is why it's important to prepare cash flow projections with fidelity, review the results for potential cash deficits, and give your LEA plenty of time to prepare for borrowing cash if and when necessary.

We used to say that cash is king, but in tough times credit is king.

## Response to FOC questions on Measure R

Q. What has been the enrollment and participation rate of students in the Mariachi Programs district-wide?

- 2018-19
  - 50 fifth grade students in the elementary program
- 2019-20
  - 48 fifth grade students in the elementary program
  - 64 sixth grade students in the middle school program

Q. Does the enrollment and participation rate require the outlined “leads and staff” for the Mariachi Program?

- The leads are required because we need Mariachi professionals to share their expertise and collaborate with our elementary music teachers. We need a lead for each Mariachi group.
- Our ES music teachers are paid extra hourly to teach Mariachi after school and enrollment would have an impact on how many music teachers would be needed.

Q. What is the primary reason for the increase in Consultant cost from 15K to 20K in the Arts & Music section?

- The current amount of \$15,000 did not cover the 2019-20 Global Dance contract. We anticipate that this will increase for the 2020-21.

Q. What is the reason for the expenditure outlined as Professional Development/Recruitment at 4K in the Arts & Music section? This wasn't a cost last year.

- We are paying our Music teachers extra hourly to plan and coordinate recruitment for the Mariachi program. This may also include partnering with other Mariachi groups and contracting their services to support our program.

Q. What is the reason for the significant increase in Teacher Hourly & Subs in the PE Program section?

- We are expanding our ISPE program at the middle school and need to pay our teachers for the development of a new curriculum, refinement and oversight.

Q. In the PE Program section, why is there only a supply budget for 7<sup>th</sup> grade ISPE and not 6<sup>th</sup> grade as well?

- We purchased ISPE equipment for 6th grade in the 2019-20 budget and do not need to replenish for the 2020-21 school year. We only need to purchase equipment for the new 7th grade ISPE curriculum that will be implemented in the 2020-21 school year. We may need a small replenishment budget after the 8th grade curriculum developed and equipment is purchased.

Fiscal Year	Preserve Inadequate State Funding	Total Measure R Expenses	Total Measure R Revenue*	Parcels Taxed	Total Revenue Exempt	Parcels Exempt	Total Parcels
2008-09	0	10,284,757	10,284,757.05	26,953	974,682.00	2,817	29,770
2009-10	6,511,676	3,661,606	10,173,282.18	26,777	999,594.00	2,889	29,666
2010-11	6,867,241	3,607,370	10,474,611.35	27,182	994,631.40	2,835	30,017
2011-12	6,226,050	4,436,407	10,662,456.57	26,929	1,020,740.04	2,844	29,773
2012-13	6,649,480	4,747,198	11,396,678.28	26,978	1,039,618.65	2,834	29,812
2013-14	6,380,746	4,826,249	11,206,994.54	27,062	1,041,512.31	2,781	29,843
2014-15	6,190,850	5,089,424	11,280,274.01	27,291	997,433.50	2,650	29,941
2015-16	5,681,719	5,619,963	11,301,682.34	27,452	963,400.89	2,557	30,009
2016-17	5,774,171	6,052,550	11,826,721.03	27,907	894,307.58	2,318	30,225
2017-18	5,647,776	6,272,489	11,920,265.38	27,713	956,499.22	2,414	30,127
2018-19	5,908,599	6,450,841	12,359,439.78	29,855	1,031,971.86	2,622	32,477
**2019-20	5,753,665	6,406,584	12,160,249.00	29,884	1,106,151.75	2,629	32,513
^**2020-21	6,002,594	6,485,982	12,488,576.00	29,884	1,106,151.75	2,629	32,513
<b>Total</b>	73,594,567	73,941,420	147,535,987.51	361,867	13,126,694.95	34,819	396,686
<b>Average</b>	5,661,121	5,687,802	11,348,922.12	27,836	1,009,745.77	2,678	30,514

\*amount is less senior exemptions

\*\*Projected as of 1/31/2020

^Parcels are usually published in September of each year

**From:** Laura Ford <laurasimonford@gmail.com>

**Sent:** Sunday, April 05, 2020 3:08 PM

**To:** Nguyen, Kim <knguyen@smmusd.org>; Financial Oversight Committee <foc@smmusd.org>

**Cc:** Mark Cullen <markcullen@mac.com>; Theresa Harris <jtplus3@gmail.com>; Genitrix Georges <genitrixgeorges@gmail.com>; David Ford <dangerbooks@verizon.net>; H Gordon <heidi-gordon@hotmail.com>; Sarah Barrett <sbswingskirt@gmail.com>; Francesca Fanti <Fanti14@yahoo.com>; Jackie Stansbury <jvstansbury@gmail.com>; Sara Tropea <stropea@yahoo.com>; Aimée Koeplin <akoeplin@gmail.com>; Emily Arms <emilyarms@yahoo.com>; Jeremy Alcock <info@jeremialcock.com>

**Subject:** ADDITIONAL QUESTIONS Re: PROPOSED ANNUAL PLAN OF MEASURE R EXPENDITURES FOR 2020-21

Hi Seth, Michael, Kim and FOC Members,

Following the April 1st Public Hearing, we had a few additional questions...

1. When do you give final approval for the 2020-21 Measure R Budget?
2. Who makes the final decision to adopt the Measure R Budget into the final SMMUSD 2020-21 Budget?
3. Why at the April 1st Board Meeting, did Gerardo Cruz include Physical Education as one of the "criteria" and "components" of Measure R? Measure R does not appear to include Physical Education (please see below)? Why is nearly \$1 Million dollars going into the PE Program?

**Per the 2008 Measure R Ballot:** "To preserve quality schools despite inadequate state funding, and prevent program cuts shall the Santa Monica-Malibu Unified School District renew - without increasing -- existing school parcel taxes, annually adjusted for inflation, with exemptions for homes owned and occupied by senior citizens, and annual audits reported to taxpayers by Independent Citizens Oversight Committee? Funds used to retain highly qualified teachers and reduced class size, protect excellence in math, science, technology, arts, music, reading; sustain libraries. No funds used for administrator salaries."

<http://www.smartvoter.org/2008/02/05/ca/la/meas/R/>

4. Why has the Measure R Technology Budget grown so dramatically over the past 10 years? Per the audits, Technology takes a substantial leap every



year. Why? What percentage of Measure R revenue supports SMMUSD's overall technology budget?

5. At the April 1st Public Hearing, Melody Canady and Cruz listed \$6 Million Dollars as "GENERAL ED TEACHERS". In Canady's "Proposed Annual Plan of Measure R Expenditures for 2020-21", this \$6 million dollars is described as "BALANCE USED TO PRESERVE PROGRAMS AND REPLACE FUNDS LOST DUE TO INADEQUATE STATE FUNDING". **WHICH ONE IS IT? CAN WE SEE THE ITEMIZATION OF THIS \$6 MILLION DOLLAR EXPENSE?**

Per Measure R, tax payers have been promised that: "**Every penny is tracked, monitored by an independent citizen committee, and subject to annual public review**"

<http://www.smartvoter.org/2008/02/05/ca/la/meas/R/>

Seth, Michael, Kim and FOC Members, per 10 years of audits, it appears the District has not been publicly itemizing half of Measure R's revenue, but it doesn't make it right (or potentially legal). As homeowners, we want to know where our Measure R parcel tax dollars are going and that they are being used correctly.

Thanks for your time and oversight. We look forward to hearing from you.

All the best,

Laura Ford

On Apr 3, 2020, at 2:26 PM, Laura Ford <laurasimonford@gmail.com> wrote:

Hi Kim,

Thanks for letting me know. We look forward to hearing from the Financial Oversight Committee on this matter.

All the best,

Laura

On Apr 3, 2020, at 2:16 PM, Nguyen, Kim <knguyen@smmusd.org> wrote:

Hello,

Your message was received by the Financial Oversight Committee.

Thank you.

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**From:** Laura Ford <laurasimonford@gmail.com>

**Sent:** Friday, April 3, 2020 12:16:36 PM

**To:** Financial Oversight Committee

**Cc:** Mark Cullen; jvstansbury@gmail.com; David Ford; theresa harris; Genitrix Georges; Sbswingskirt@gmail.com

**Subject:** PROPOSED ANNUAL PLAN OF MEASURE R EXPENDITURES FOR 2020-21

Dear Seth, Michael and FOC Committee Members,

I spoke at the April 1st Board Meeting/Measure R Public Hearing regarding my concerns about the PROPOSED ANNUAL PLAN OF MEASURE R EXPENDITURES FOR 2020-21 and was hoping you could answer a few questions.

1. Are you the "Independent Citizens Oversight Committee" that oversees the use of parcel tax revenue from Measure R?

2. Why is \$6 Million Dollars of Measure R revenue going toward "BALANCE USED TO PRESERVE PROGRAMS AND REPLACE FUNDS LOST DUE TO INADEQUATE STATE FUNDING"? (Please PDF see below)

a. Why isn't this money itemized?

b. What is it being used for?

c. Per Measure R, is this \$6 Million Dollars being used "to retain highly qualified teachers and reduced class size, protect excellence in math, science, technology, arts, music, and reading"?

d. **Can we use this money to retain our pink-slipped and cut teachers as per Measure R?**

3. Why is \$100,000 going to Physical Education when Measure R is expressly for academic teachers?
4. What amount of the \$2.5 Million for Technology goes into the classroom and how?
5. Does the Community Services employee (\$78K) work in the classroom? What does this person do?
6. In 2009, after Measure R was passed, \$6.3 Million Dollars went to ACADEMIC TEACHERS K through 12. The rest of the money went to art, music, libraries etc. All Measure R money was accounted for. (Please see PDF below.) Why isn't all Measure R money accounted for now?
7. From 2010-2019, **almost \$60 million dollars has not been itemized or accounted for**. What has this money been used for? Where has half of Measure R's parcel tax revenue gone for the past 10 years? Per Measure R, an audit is required but the audits have not been transparent (Please see PDF below) In 2008, Santa Monica residents voted "yes" on Measure R to retain teachers and reduce class size. Homeowners pay \$346 a year in parcel tax for this purpose. Where is half of this money going? Where has half of this money gone for the past 10 years?
8. It should be noted that the district changed accountants between 2009 and 2010, when SMMUSD changed its use of Measure R revenue and the process became less transparent.

I appreciate your time and look forward to hearing from you.

All the best,

Laura Ford  
SMMUSD Parent

PUBLIC CORRESPONDENCE ADDRESSED TO FINANCIAL OVERSIGHT COMMITTEE

DATED 4/28/2020 – 4/30/2020

PAGE 1 OF 11

**From:** Laura Ford <laurasimonford@gmail.com>

**Sent:** Thursday, April 30, 2020 1:04 PM

**To:** Pinsker, Gail <gpinsker@smmusd.org>

**Cc:** Canady, Melody <mcanady@smmusd.org>; Cruz, Gerardo <gcruz@smmusd.org>; Drati, Ben <bdrati@smmusd.org>; Kean, Jon <jkean@smmusd.org>; de la Torre, Oscar <odelatorre@smmusd.org>; Foster, Craig <cfoster@smmusd.org>; Leon-Vazquez, Maria <mlvazquez@smmusd.org>; Lieberman, Laurie <llieberman@smmusd.org>; Mechur, Ralph <rmechur@smmusd.org>; Tahvildaran-Jesswein, Richard <rtahvildaranjesswein@smmusd.org>; Financial Oversight Committee <foc@smmusd.org>; Mark Cullen <markcullen@mac.com>; theresa harris <jtplus3@gmail.com>; Genitrix Georges <genitrixgeorges@gmail.com>; David Ford <dangerbooks@verizon.net>; H Gordon <heidi-gordon@hotmail.com>; Sarah Barrett <sbswingskirt@gmail.com>; Francesca Fanti <Fanti14@yahoo.com>; Jackie Stansbury <jvstansbury@gmail.com>; Sara Tropea <stropea@yahoo.com>; Aimée Koeplin <akoeplin@gmail.com>; Emily Arms <emilyarms@yahoo.com>; Ann Hoover <annkbowman@yahoo.com>; Jeremy Alcock <info@jeremialcock.com>

**Subject:** Re: Public Record Request - Funding Measure R

Gail -

I've cc'd everyone you took off this chain, as these issues involve the Board, the FOC and the stakeholders. For simplicity sake, I've included portions of your email below and replied to them in kind.

The designation of Measure R funds will be discussed in an upcoming executive cabinet meeting, FOC meeting, and I expect the school board, too.

Per the Board Notes, the Board plans to "Adopt Measure R Parcel Tax Plan - action on 5/7/20". The next FOC meeting is on 5/12. How will Measure R funds be discussed at the upcoming FOC meeting **if the board has already voted on it?**

The flexibility is helpful to us to direct funds as needed in any given year.

If the District does not know how it is going to use \$6,002,594 next year, then **why can't the District use these funds to save our pink-slipped and cut teachers?** Measure R is supposed to "retain highly qualified teachers" and "protect taxpayers' investment in education."

Your point of transparency is well taken and we strive to be transparent with all we do. Our budget and expenditures are posted publicly, as you are aware, and all funds are accounted for.

In your budget proposals and audits, the following expenditures are listed under the general catch-all phrase ""Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding" **We, the stakeholders, want to know how and where the following funds were used:**

2019-2020	\$5,753,655	(budget proposal, audit not available)
2018-2019	\$5,908,599	
2017-2018	\$5,647,776	
2016-2017	\$5,774,171	
2015-2016	\$5,681,719	
2014-2015	\$6,190,850 (per 2015 audit)	\$8,185,718 (per 2016 audit)
2013-2014	\$6,380,746	
2012-2013	\$6,649,480	
2011-2012	\$6,226,050	
2010-2011	\$6,867,241	
2009-2010	\$6,511,676	

Please be patient as we review the interest of some stakeholders to further identify Measure R fund usages, which will impact our ability to be flexible, but we will seek to balance the identified needs of students with stakeholder interest in being more specific.

The Board votes on Measure R Fund usages **next week so time is of the essence.**

As for all the documents you requested, (PRA #3), we are looking into this as we no longer use the auditor that compiled that audit. We are determining the availability and associated costs of requesting documents.

Please hold off PRA #3 for now and please start with documents considered in the course of preparation of the audit report for Measure R Fiscal Year Ending in 2020 with your current auditor. **Please present me with the associated costs of PRA #4 before going forward. In other words, I do not want to be charged by the District before seeing a proposal.**

## Gail, we, the stakeholders, want to know how our Measure R money is being spent and how it has been spent.

Teachers' jobs are at stake. It is time for some answers.

Best,

Laura

**From:** Ann Hoover <annkbowman@yahoo.com>

**Sent:** Thursday, April 30, 2020 10:48 AM

**To:** Pinsker, Gail <gpinsker@smmusd.org>; Laura Ford <laurasimonford@gmail.com>

**Cc:** Canady, Melody <mcanady@smmusd.org>; Cruz, Gerardo <gcruz@smmusd.org>; Drati, Ben <bdrati@smmusd.org>; Kean, Jon <jkean@smmusd.org>; de la Torre, Oscar <odelatorre@smmusd.org>; Foster, Craig <cfoster@smmusd.org>; Leon-Vazquez, Maria <mlvazquez@smmusd.org>; Lieberman, Laurie <llieberman@smmusd.org>; Mechur, Ralph <rmechur@smmusd.org>; Tahvildaran-Jesswein, Richard <rtahvildaranjesswein@smmusd.org>; Financial Oversight Committee <foc@smmusd.org>; Mark Cullen <markcullen@mac.com>; Theresa Harris <jtplus3@gmail.com>; Genitrix Georges <genitrixgeorges@gmail.com>; David Ford <dangerbooks@verizon.net>; H Gordon <heidi-gordon@hotmail.com>; Sarah Barrett <sbswingskirt@gmail.com>; Francesca Fanti <fanti14@yahoo.com>; Jackie Stansbury <jvstansbury@gmail.com>; Sara Tropea <stropea@yahoo.com>; Aimée Koeplin <akoeplin@gmail.com>; Emily Arms <emilyarms@yahoo.com>; Jeremy Alcock <info@jeremialcock.com>

**Subject:** Re: Public Record Request - Funding Measure R

Sounds like **more** than enough to rescind all of the pink-slips.  
Thank so much for compiling this information, Laura!

**From:** MARK CULLEN <markcullen@mac.com>

**Sent:** Thursday, April 30, 2020 1:08 PM

**To:** Pinsker, Gail <gpinsker@smmusd.org>

**Cc:** Canady, Melody <mcanady@smmusd.org>; Cruz, Gerardo <gcruz@smmusd.org>; Laura Ford <laurasimonford@gmail.com>; Drati, Ben <bdrati@smmusd.org>; Kean, Jon <jkean@smmusd.org>; de la Torre, Oscar <odelatorre@smmusd.org>; Foster, Craig <cfoster@smmusd.org>; Leon-Vazquez, Maria <mlvazquez@smmusd.org>; Lieberman, Laurie <llieberman@smmusd.org>; Mechur, Ralph <rmechur@smmusd.org>; Tahvildaran-Jesswein, Richard <rtahvildaranjesswein@smmusd.org>; Financial Oversight Committee <foc@smmusd.org>; theresa harris <jtplus3@gmail.com>; Genitrix Georges <genitrixgeorges@gmail.com>; David Ford <dangerbooks@verizon.net>; H Gordon <heidi-gordon@hotmail.com>; Sarah Barrett <sbswingskirt@gmail.com>; Francesca Fanti <Fanti14@yahoo.com>; Jackie Stansbury <jvstansbury@gmail.com>; Sara Tropea <stropea@yahoo.com>; Aimée Koeplin <akoeplin@gmail.com>; Emily Arms <emilyarms@yahoo.com>; Ann Hoover <annkbowman@yahoo.com>; Jeremy Alcock <info@jeremialcock.com>

**Subject:** Re: Public Record Request - Funding Measure R

Here... here!!! What are you hiding Gail?

Sent from my iPhone

On Apr 30, 2020, at 9:57 AM, Pinsker, Gail <gpinsker@smmusd.org> wrote:

Hello Laura,

I'm not sure where your math is coming from, but I think you are misunderstanding.

The point that we are making is that our general fund allocation is 83% toward salaries and benefits, and not that Measure R funds are equally dispersed as such.

Your point of transparency is well taken and we strive to be transparent with all we do. Our budget and expenditures are posted publicly, as you are aware, and all funds are accounted for.

The designation of Measure R funds will be discussed in an upcoming executive cabinet meeting, FOC meeting, and I expect the school board, too. We are adhering to all specific purposes listed in the measure language. The flexibility is helpful to us to direct funds as needed in any given year.

Please be patient as we review the interest of some stakeholders to further identify Measure R fund usages, which will impact our ability to be flexible, but we will seek to balance the identified needs of students with stakeholder interest in being more specific.

As for all the documents you requested, (PRA #3), we are looking into this as we no longer use the auditor that compiled that audit. We are determining the availability and associated costs of requesting documents.

Thank you,

~gail

Gail Pinsker  
Community & Public Relations Officer  
Santa Monica - Malibu Unified School District  
1651 16th Street  
Santa Monica, CA 90404  
O: 310.450.8338 x.70230  
C: 661.406.9462  
www.smmusd.org

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**From:** Laura Ford <laurasimonford@gmail.com>

**Sent:** Thursday, April 30, 2020 9:24 AM

**To:** Pinsker, Gail

**Cc:** Canady, Melody; Cruz, Gerardo; Drati, Ben; Kean, Jon; de la Torre, Oscar; Foster, Craig; Leon-Vazquez, Maria; Lieberman, Laurie; Mechur, Ralph; Tahvildaran-Jesswein, Richard; Financial Oversight Committee; Mark Cullen; Theresa Harris; Genitrix Georges; David Ford; H Gordon; Sarah Barrett; Francesca Fanti; Jackie Stansbury; Sara Tropea; Aimée Koeplin; Emily Arms; Jeremy Alcock; Ann Hoover

**Subject:** Re: Public Record Request - Funding Measure R

Hi Gail,

As per your email below,

1. \$6,002,594 is going into the General Fund.
2. \$4,982,153 is going towards **Administrator and Non-Administrator Salaries. Measure R is not supposed to go toward Administrator Salaries.**
3. **\$1,020,441** (17% of \$6,002,594) **is going unaccounted for.**

I would encourage you and the District to be transparent in how you are using \$6,002,594 next year.

Best,

Laura

On Apr 28, 2020, at 9:47 AM, Pinsker, Gail <gpinsker@smmusd.org> wrote:

Hello Ms. Ford,

I sent you an email a few minutes ago:

Hello Laura,

Thank you for your patience as we adjust to a new way of doing business and educating our students.

Regarding the statement "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding," these funds are utilized in the general fund to pay for certificated and classified salaries and benefits.

As a whole, the District salary and benefits are approximately 83% as of the District's 2019-20 Second Interim. The full text [Measure R](#) ballot language, previously provided to you, does not require, reference, infer, or allude to an "Itemized List of Expenditures" for Section 2.A., or this is something that we would have been required to do via our external independent audit firms.

To be clear, regarding PRA, the law requires we communicate with you within 10 days, and we can take more time to actually provide a response or documents requested. In some cases, we need more time and we are legally allowed to do that.

PRA #2 is now complete and closed.



Thank you and be well.

---

~gail

Gail Pinsker  
Community & Public Relations Officer  
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O: 310.450.8338 x.70230  
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www.smmusd.org

**From:** Laura Ford <laurasimonford@gmail.com>

**Sent:** Tuesday, April 28, 2020 9:43 AM

**To:** Pinsker, Gail <gpinsker@smmusd.org>; Canady, Melody <mcanady@smmusd.org>; Cruz, Gerardo <gcruz@smmusd.org>

**Cc:** Drati, Ben <bdrati@smmusd.org>; Kean, Jon <jkean@smmusd.org>; de la Torre, Oscar <odelatorre@smmusd.org>; Foster, Craig <cfoster@smmusd.org>; Leon-Vazquez, Maria <mlvazquez@smmusd.org>; Lieberman, Laurie <llieberman@smmusd.org>; Mechur, Ralph <rmechur@smmusd.org>; Tahvildaran-Jesswein, Richard <rtahvildaranjesswein@smmusd.org>; Financial Oversight Committee <foc@smmusd.org>

**Subject:** Re: Public Record Request - Funding Measure R

Dear Mr. Cruz,

As per our conversation this morning, you and Ms. Canady WILL NOT provide the following public record documents:

1. An itemization of expenses listed under "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding" for Fiscal Years Ending in 2010 through 2019 (and 2020 if available) as done in the 2008-2009 Measure R audit and 2007-2008 Measure S audit.
2. An itemization of expenses listed under "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding" for the Proposed Annual Plan of Measure R Expenditures for 2020-21.

Per the California Public Records Act: Public records are defined as:“(e) “Public records” includes any writing containing information relating to the conduct of the public’s business prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics.”

I have spoken to the Board. I have emailed the Financial Oversight Committee. No one has responded to me.

I would like to have satisfaction before I refer this case to the District Attorney, the ACLU and my Stanford Classmate, Congressman Ted Lieu.

All the best,

Laura Ford

On Apr 27, 2020, at 8:35 AM, Laura Ford <laurasimonford@gmail.com> wrote:

Dear Ms. Canady, Mr. Cruz and Ms. Pinsker,

I am following up on my 4/14 PRA (#2) as we are beyond 10 days.

I look forward to hearing from you.

Best,

Laura

On Apr 17, 2020, at 7:01 PM, Pinsker, Gail <gpinsker@smmusd.org> wrote:

Hello Laura,

As you are aware, we are on spring break and do not normally work on PRA requests when the district is closed.

We will take a look at your requests next week.

To follow up on your Measure R questions, we do also have this page, that you may not have noticed previously: <https://www.smmusd.org/Page/3905>

This completes your original PRA request. We will call it PRA #1.  
The 4/14 PRA will be #2.

Thank you,

~gail

Gail Pinsker  
Community & Public Relations Officer  
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**From:** Laura Ford <laurasimonford@gmail.com>  
**Sent:** Friday, April 17, 2020 2:52 PM  
**To:** Canady, Melody; Cruz, Gerardo  
**Cc:** Pinsker, Gail  
**Subject:** Fwd: Public Record Request - Funding Measure R

Dear Ms. Canady and Mr. Cruz,

I'm resending an email I sent on 4/14/20 on which you both were cc'd.

I was hoping you could provide the following documents and information:

1. An itemization of expenses listed under "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding" for Fiscal Years Ending in 2010 through 2019 (and 2020 if available) as done in the 2008-2009 Measure R audit and 2007-2008 Measure S audit.
2. An itemization of expenses listed under "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding" for the Proposed Annual Plan of Measure R Expenditures for 2020-21.

Thank you so much. I hope to get an update.

All the best,

Laura Ford

Begin forwarded message:

**From:** Laura Ford <laurasimonford@gmail.com>  
**Subject:** Public Record Request - Funding Measure R  
**Date:** April 14, 2020 at 1:40:54 PM PDT  
**To:** "Pinsker, Gail" <gpinsker@smmusd.org>  
**Cc:** "Canady, Melody" <mcanady@smmusd.org>, "Cruz, Gerardo" <gcruz@smmusd.org>

Hi Gail,

Thank you for providing the documents I requested. I was hoping you could provide the additional following documents and information:

1. An itemization of expenses listed under "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding" for Fiscal Years Ending in 2010 through 2019

(and 2020 if available) as done in the 2008-2009 Measure R audit and 2007-2008 Measure S audit.

2. An itemization of expenses listed under “Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding” for the Proposed Annual Plan of Measure R Expenditures for 2020-21.

Thank you so much. I look forward to hearing from you.

All the best,

Laura Ford

On Apr 10, 2020, at 4:17 PM, Pinsker, Gail <gpinsker@smmusd.org> wrote:

Hi Laura,

I was reminded that we do have a Measure R / Senior Exemption page on our website, too. With thousands of pages, it's a challenge to keep up.

I think you will find everything requested as links / info on this page:

<https://www.smmusd.org/Page/3905>

This completes your PRA request.

If you have any additional requests, please submit as a new PRA.

Thank you,

Be well,

~gail

Gail Pinsker  
Community & Public Relations Officer  
Santa Monica - Malibu Unified School District  
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Santa Monica, CA 90404  
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[www.smmusd.org](http://www.smmusd.org)

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**From:** Laura Ford <laurasimonford@gmail.com>

**Sent:** Friday, April 10, 2020 2:07 PM

**To:** Pinsker, Gail

**Cc:** Canady, Melody; Cruz, Gerardo

**Subject:** Re: Public Record Request - Funding Measure

Hi Gail,

Thank you so much for the information. I appreciate it.

I hope you and yours are well.

All the best,

Laura

On Apr 9, 2020, at 11:28 AM, Pinsker, Gail <gpinsker@smmusd.org> wrote:

Hello Laura,

I hope you and your family are staying safe and well.

As you are aware, we are on spring break right now, but I happen to be doing some work today so I can start this off for you.

Here is a great page of budget reports that may be of interest to you:

<https://www.smmusd.org/Page/3900>

Measure R audit reports going back more than 10 years are posted on this page.

Here is the most recent Measure R audit report from 18/19 for your convenience:

<https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/FinReports/MeasureRAuditReport1819.pdf>

On our fiscal pages, you will also find our Financial Oversight Committee info:

<https://www.smmusd.org/Page/3901>

This includes the list of current members and meetings.

I know you had questions about this during your board comment recently.

Whenever there is a vacancy on this committee the district posts the opening on our websites, shares with media, shares on social media, and has an application process.

Here is the proposed Measure R plan for 19/20 and 20/21:

<https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/MeasureR-AnnualPlan2021.pdf>

I don't have the plan for previous years so I will get those to you as soon as I have them, likely upon return from spring break.

Thank you,

~gail

Gail Pinsker  
Community & Public Relations Officer  
Santa Monica - Malibu Unified School District  
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**From:** Laura Ford <laurasimonford@gmail.com>  
**Sent:** Thursday, April 9, 2020 10:26 AM  
**To:** Canady, Melody; Cruz, Gerardo  
**Cc:** Pinsker, Gail  
**Subject:** Public Record Request - Funding Measure

Dear Ms. Canady and Mr. Cruz,

As per “The Santa Monica-Malibu Schools Quality Education Funding Renewal Measure” (the “Funding Measure”), I would like to request plans and reports listed below for the following fiscal years: 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018, 2018-2019, 2019-2020 and 2020-21. Please provide what you have as it becomes available and not hold all responsive documents until the end.

1. The Proposed Annual Plan

2. The amount of the funds collected and expended pursuant to this Funding Measure, together with the status of any project required or authorized to be funded hereunder. All of the foregoing reports shall be organized to display clearly how the expenditures relate to the Adopted Annual Plan approved by the Board.

3. The Annual Audit

Thank you very much. I look forward to hearing from you.

All the best,

Laura Ford  
Santa Monica Resident/SMMUSD Parent

[Click Here for COVID-19 Related Resources](#)

# FISCAL REPORT

*PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS*

## 2018–19 Reserve Levels

 [BY JOHN GRAY](#)

 [BY DAVE HECKLER](#)

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posted March 20, 2020

The California Department of Education released the 2018–19 Unaudited Actual data that allows for the calculation of the district type and statewide average reserve levels.

The reserve levels are defined as the unrestricted net ending fund balance for the General Fund, plus the ending balance for Fund 17 (Special Reserve for Other Than Capital Outlay Projects) as a percentage of total General Fund (including restricted programs) expenditures, transfers, and other uses. The averages by district type are as follows:

2018–19 Average Unrestricted General Fund, Plus Fund 17; Net Ending Balances as a Percentage of Total General Fund Expenditures, Transfers, and Other Uses		Change from Prior Year
Unified School Districts	17.26%	+0.28%
Elementary School Districts	20.47%	+0.28%
High School Districts	15.64%	+0.01%

In our opinion, California public school districts have done a remarkable job at maintaining their reserves at or near the percentages recommended by the Governmental Finance Officers Association—17%. In 2007–08, the fiscal year prior to the economic collapse that resulted in the Great Recession, district reserves were not as healthy.

<b>2007–08 Average Unrestricted General Fund, Plus Fund 17; Net Ending Balances as a Percentage of Total General Fund Expenditures, Transfers, and Other Uses</b>	
Unified School Districts	8.32%
Elementary School Districts	14.05%
High School Districts	11.46%

Having an adequate reserve allows school district governance teams the ability to be more strategic in reducing expenditures when faced with a financial crisis. An adequate reserve protects students, employees, and the public. Given the uncertain times we are now in with the current Pandemic, COVID-19, school districts with adequate reserves are better equipped to protect the community they serve.

The percentages outlined in this article are statewide averages. Each school district should independently evaluate their reserve levels as we head into economic uncertainty.



# CalPERS Prefunding Programs Workshop

CERBT (OPEB)  
CEPPT (Pension)

# Impact of Prefunding

# Impact of Prefunding

## Increase investment income

- Use higher-yielding investment strategies than County Treasury & LAIF
- Build a larger base of assets to increase earnings and compounding
- Reduce budget dependency when paying future benefits

## Reduce unfunded liabilities and future contributions

- Trust assets may reduce liabilities
- Higher discount rates reduce liability and contribution calculations

## Prudent financial management

- Prefunding can improve financial reporting outcomes
- Contributes to preserving positive credit ratings

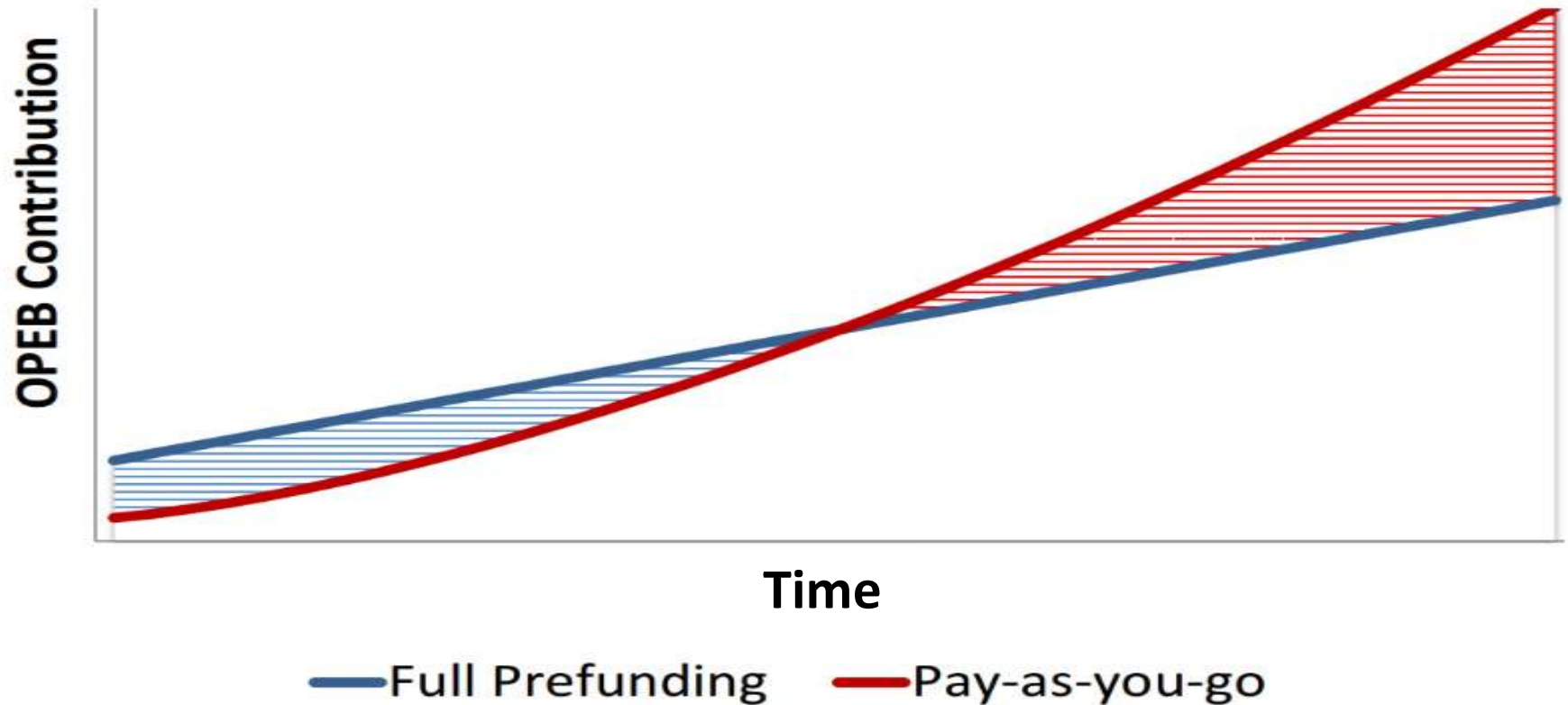
# Prefunding OPEB

# Prefunding vs. Pay-Go

Actuarial Valuation as of 6/30/2016 (\$ in billions)	Policy A (Pay-Go)	Policy B (Prefunding Partial ADC)	Policy C (Prefunding Full ADC)
Discount Rate	4.25%	5.765%	7.28%
Total OPEB Liability as of 6/30/2017	\$76.7	\$61.4	\$56.3
Actuarially Determined Contribution	\$5.8	\$4.8	\$4.1
Retiree Premium Payments for 2016-17	\$2.1	\$2.1	\$2.1
Assumed OPEB Trust Fund Contributions for 2016-17	\$0	\$1.0	\$2.0

Data assumed CERBT strategy #1 participation.

# Prefunding Becomes Cheaper Than Pay-Go



Source: United States Common Sense

For illustrative purposes only

# Prefunding Trust Cash Flow Scenario

Measurement Date	Total OPEB Liability	Cumulative Contributions	Cumulative Investment Earnings (Net)	CERBT Assets	Funded Status
6/30/2007	\$28,297,000	\$0	\$0	\$0	0%
6/30/2009	\$23,292,000	\$150,000	(\$33)	\$149,967	1%
6/30/2011	\$31,719,000	\$4,277,239	\$292,990	\$4,570,229	14%
6/30/2013	\$36,655,000	\$10,720,239	\$1,335,653	\$12,055,892	33%
6/30/2015	\$61,420,000	\$16,412,239	\$3,373,334	\$19,785,573	32%
6/30/2017	\$67,531,000	\$21,636,239	\$5,953,934	\$27,590,173	41%

# Financial Reporting Outcomes

6/30/2017 Financial Statements (\$ in billions)	Policy A (Pay-Go)	Policy B (Prefunding Partial ADC)	Policy C (Prefunding Full ADC)
Approximate Total OPEB Liability as of 6/30/2016	\$76.7	\$61.4	\$50.3
Hypothetical CERBT Assets as of 6/30/2016	\$0	\$7.5	\$15.0
Approximate Net OPEB Liability as of 6/30/2016	\$76.7	\$53.9	\$35.3



# Prefunding Pension Contributions

# Why Prefund Pension Contributions?

- Employer pension contributions are increasing
  - Employer budgets are not increasing at the same rate
- Asset-liability relationships can be volatile
  - Economic and investment volatility
- Employers seeking general fund investment alternatives
  - Looking for higher yields than County treasury and LAIF
- Increased investment income can reduce employer pension contributions from principal assets and save employers money

# Employer Pension Contribution Projections\*

Fiscal Year	Payroll	Normal Cost Contribution (% of Payroll)	Normal Cost Contribution	Unfunded Accrued Liability Payment	Total Contribution
2019-20	\$222,668,205	9.006%	\$20,053,499	\$46,684,999	<b>\$66,738,498</b>
2020-21	\$228,235,925	9.7%	\$22,138,885	\$51,444,000	\$73,582,885
2021-22	\$234,512,413	9.7%	\$22,747,704	\$57,309,000	\$80,056,704
2022-23	\$240,961,504	9.7%	\$23,373,266	\$62,184,000	\$85,557,266
2023-24	\$247,587,946	9.7%	\$24,016,031	\$64,775,000	\$88,791,031
2024-25	\$254,396,614	9.7%	\$24,676,472	\$68,051,000	\$92,727,472
2025-26	\$260,756,529	9.7%	\$25,293,383	\$61,959,349	\$87,252,732
2026-27	\$267,275,443	9.7%	\$25,925,718	\$64,506,907	\$90,432,625
2027-28	\$273,957,329	9.7%	\$26,573,861	\$66,362,182	\$92,936,043
2028-29	\$280,806,262	9.7%	\$27,238,207	\$68,270,370	\$95,508,577
2029-30	\$287,826,418	9.7%	\$27,919,163	\$70,232,574	<b>\$98,151,737</b>

\*Data for 2019-2025 is from 6/30/2017 CalPERS actuarial valuation report. Data for 2025-2030 are not actuarial projections.

# Employer Pension Cost Considerations

- Normal cost
  - Ongoing
  - PEPRA is cheaper than classic but increases with payroll
- Unfunded accrued liabilities (UAL)
  - Currently exist for most agencies
  - Will reoccur if plan experience is negative
- Overall cost trends
  - Likely to increase for 10 years due to unfunded liabilities
  - Likely to decrease with PEPRA but increase with payroll

# Pension Contribution Prefunding Trust Purpose

- Grow assets for future pension contributions
  - Prefund future normal cost payments
  - Prefund future UAL payments
  - Prefund ADPs
- Invest assets over different time horizons than pension fund
- Invest assets with less volatility than pension fund
- Earn more investment income than in shorter term options (e.g. LAIF and County Treasury)

# Investment Policy

# CEPPT and CERBT Investment Policies

- CalPERS Board accepts investment fiduciary responsibility
  - GC 21710-21715 (CEPPT)
  - GC 53620-53622 (CERBT)
- CalPERS Board approves investment policy recommendations from internal and external consultants
- Policies managed internally by CalPERS Investment Office staff who oversee external management by SSGA
- Policies are monitored, reviewed, and revised regularly to ensure ongoing optimization

# CEPPT/CERBT Expected Rates of Return & Risk

Portfolios	CERBT OPEB Strategy 1	CERBT OPEB Strategy 2	CEPPT Pension Strategy 1	CERBT OPEB Strategy 3	CEPPT Pension Strategy 2
Expected Time-Weighted Net Return, Near Term	5.85%	5.22%	5.00%	4.41%	4.00%
Expected Time-Weighted Blended Net Return, Longer Term	7.59%	7.01%	N/A	6.22%	N/A
Standard Deviation of Expected Investment Returns	11.83%	9.24%	8.2%	7.28%	5.2%

Near term is 10 years. Longer term is 60 years. Expected returns are net of fees. CERBT total fees are 10 bps. CEPPT total fees are 25 bps. CERBT data use 2018 capital market assumptions. CEPPT data use 2019 capital market assumptions. Standard deviation is 10 years.



# CEPPT/CERBT Asset Class Target Allocations

Asset Classification	Benchmark	CERBT OPEB Strategy 1	CERBT OPEB Strategy 2	CEPPT Pension Strategy 1	CERBT OPEB Strategy 3	CEPPT Pension Strategy 2
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	40% ±5%	22% ±5%	14% ±5%
Fixed Income	Barclays Capital Long Liability Index (CERBT) Bloomberg Barclays U.S. Aggregate Bond Index (CEPPT)	25% ±5%	43% ±5%	47% ±5%	49% ±5%	73% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	5% ±3%	16% ±3%	5% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	N/A	5% ±3%	N/A
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%	0% +2%	0% +2%

# CERBT Investment Returns – Time Weighted

Periods Ended February 29, 2020

<u>Fund</u>	<u>Assets</u>	<u>1 Month</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>ITD</u>
CERBT Strategy 1 (Inception June 1, 2007)	\$8,931,881,478	(4.78%)	(2.71%)	1.78%	6.98%	6.56%	5.11%	7.66%	4.80%
Benchmark		(4.84%)	(2.78%)	1.60%	6.84%	6.24%	4.70%	7.41%	4.37%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,392,105,477	(2.78%)	(0.61%)	3.66%	9.47%	6.68%	4.99%	NA	7.30%
Benchmark		(2.82%)	(0.65%)	3.52%	9.41%	6.36%	4.61%	NA	7.00%
CERBT Strategy 3 (Inception January 1, 2012)	\$663,632,844	(1.08%)	1.13%	4.90%	10.98%	6.30%	4.58%	NA	5.87%
Benchmark		(1.11%)	1.09%	4.79%	10.91%	6.03%	4.25%	NA	5.54%

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's CERBT fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.

# Funding Policy

# Employer Controls the Funding Policy

- Chooses appropriate investment strategy
  - Based on investment time horizon and risk tolerance
- Decides if, when, and how much to contribute
  - Voluntary and never required
- Decides if and when to seek reimbursement
  - Trust purpose related expenses incurred during current fiscal year
  - Pension contributions incurred this fiscal year

# Funding Policy Examples

- Actuarial Determined Contribution (ADC) funding method
  - 100% of ADC, net of pay-as-you-go costs
  - 100% of ADC, reimburse for pay-as-you-go costs
  - Other percentage of ADC
  - Gradually increasing contributions
- Other funding methods
  - Contribute fixed dollar amount annually
  - Initial contribution with future contributions undetermined
  - Contribute any reserve, surplus, or one-time funds

# Compounding Interest Model

Investment Duration (Years)	1	2	3	4	5	6	7	8	9	10	11
Nominal Expected Compounded Annualized Rate of Investment Return	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Cumulative Expected Compounded Rate of Investment Return	5%	10%	16%	22%	28%	34%	41%	48%	55%	63%	71%
Required Investment Principal Contribution Needed to Generate \$1	\$0.95	\$0.91	\$0.86	\$0.82	\$0.78	\$0.75	\$0.71	\$0.68	\$0.64	\$0.61	\$0.58

# Employer Contribution Prefunding Scenario

Fiscal Year	Normal Cost Contribution	Investment Duration (Years)										
		1	2	3	4	5	6	7	8	9	10	11
2019-20	\$20.1	\$19.1										
2020-21	\$22.1	\$21.1	\$20.1									
2021-22	\$22.7	\$21.7	\$20.6	\$19.7								
2022-23	\$23.4	\$22.3	\$21.2	\$20.2	\$19.2							
2023-24	\$24.0	\$22.9	\$21.8	\$20.7	\$19.8	\$18.8						
2024-25	\$24.7	\$23.5	\$22.4	\$21.3	\$20.3	\$19.3	\$18.4					
2025-26	\$25.3	\$24.1	\$22.9	\$21.8	\$20.8	\$19.8	\$18.9	\$18.0				
2026-27	<b>\$25.9</b>	\$24.7	\$23.5	\$22.4	\$21.3	\$20.3	\$19.3	\$18.4	<b>\$17.5</b>			
2027-28	\$26.6	\$25.3	\$24.1	\$23.0	\$21.9	\$20.8	\$19.8	\$18.9	\$18.0	\$17.1		
2028-29	\$27.2	\$25.9	\$24.7	\$23.5	\$22.4	\$21.3	\$20.3	\$19.4	\$18.4	\$17.6	\$16.7	
2029-30	\$27.9	\$26.6	\$25.3	\$24.1	\$23.0	\$21.9	\$20.8	\$19.8	\$18.9	\$18.0	\$17.1	\$16.3

# Advantages of the CEPPT & CERBT



# Advantages of the CEPPT & CERBT

- Investment policy and management services by CalPERS
- Lowest total participation cost
- Excellent customer service
- Simple administration
- GASB compliance

# Trust Participation Costs

# Total Participation Cost Fee Rates

- Total all-inclusive cost of participation
  - Combines administrative, custodial, and investment fees
  - Fee is applied daily to assets under management
    - 10 basis points - CERBT
    - 25 basis points - CEPPT
  - Separate trust funds
  - Self-funded, fee rate may change in the future

# CERBT Fee Rate History

Fiscal Year	Total Participation Cost Fee Rate
2007-2008	2.00 basis points
2008-2009	6.00 basis points
2009-2010	9.00 basis points
2010-2011	12.00 basis points
2011-2012	12.00 basis points
2012-2013	15.00 basis points
2013-2014	14.00 basis points
2014-2015	10.00 basis points
2015-2016	10.00 basis points
2016-2017	10.00 basis points
2017-2018	10.00 basis points
2018-2019	10.00 basis points
2019-2020	10.00 basis points

# Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219
Jasper Jacobs	Outreach & Support Analyst	Jasper.Jacobs@calpers.ca.gov	(916) 795-0432	(916) 717-3886
Colleen Cain-Herrback	Administration & Reporting Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Robert Sharp	Assistant Division Chief	Robert.Sharp@calpers.ca.gov	(916) 795-3878	(916) 397-0756

Program E-mail Addresses	Prefunding Programs Webpages
CERBT4U@calpers.ca.gov – Questions & Document Submittal	<a href="http://www.calpers.ca.gov/CERBT">www.calpers.ca.gov/CERBT</a>
CEPPT4U@calpers.ca.gov – Questions & Document Submittal	<a href="http://www.calpers.ca.gov/CEPPT">www.calpers.ca.gov/CEPPT</a>
CERBTACCOUNT@calpers.ca.gov – Online Record Keeping System	

MULTI-YEAR PROJECTIONS / UNRESTRICTED GENERAL FUND

WITHOUT ADJUSTMENTS

A	B	C	D	E	F	G
	2019-20	2019-20	2019-20		2020-21	2021-22
	ADOPTED BUDGET	FIRST INTERIM	SECOND INTERIM	FIRST & SECOND CHANGE	PROJECTED BUDGET	PROJECTED BUDGET
Description						
Revenue:						
1Property Tax	89,789,181	89,789,181	90,664,260	875,079	94,447,473	98,419,847
2Education Protection Account (EPA)	2,000,000	2,000,000	2,000,000	-	2,000,000	2,000,000
3LCFF Transfer to Fund Fund 14	-	-	-	-	-	-
4LCFF Transfer to Charter School	(20,000)	(20,000)	(20,000)	-	(38,000)	(38,000)
5Prior Year LCFF Adjustment	-	-	-	-	-	-
6Minimum State Aid	8,585,843	8,585,843	8,585,843	-	8,585,843	8,585,843
7Subtotal LCFF Funding	100,355,024	100,355,024	101,230,103	875,079	104,995,316	108,967,690
8Other Federal	13,000	200,000	200,000	-	100,000	100,000
9Lottery	1,600,000	1,600,000	1,600,000	-	1,600,000	1,600,000
10Mandated Reimbursement Block Grant	417,495	417,495	422,665	5,170	420,000	410,000
11One-time Discretionary Funds	-	-	-	-	-	-
12Other State Revenue	5,000	5,000	735,333	730,333	5,000	5,000
13Measure 'R' - Parcel Tax	12,449,227	12,449,227	12,449,227	-	12,698,211	12,952,175
14Measure 'Y' & 'GSH' - City of Santa Monica	15,553,168	15,553,168	15,553,168	-	15,864,231	16,181,516
15Joint Use Agreement - City of Santa Monica	9,554,280	9,554,280	9,554,280	0	9,799,171	9,995,154
16Santa Monica-Malibu Ed Foundation Donation	-	-	-	-	-	-
17Santa Monica Ed Foundation Donation	2,000,000	2,000,000	2,000,000	-	2,000,000	2,000,000
18Malibu LEAD Donation	500,000	500,000	-	(500,000)	-	-
19Lease & Rental	2,450,000	2,450,000	2,450,000	-	2,450,000	2,450,000
20Interest Earned	200,000	200,000	709,038	509,038	200,000	200,000
21Revenue Associated with TRANS Issuance	-	-	721,262	721,262	400,000	400,000
22ORIGINAL ISSUE PREMIUM	-	-	353,750	353,750	-	-
23PROJECTED INTEREST EARNED	-	-	367,512	367,512	-	-
24All Other Local Income	984,430	1,138,185	1,921,404	783,219	1,180,000	1,340,000
25Local General Fund Contribution	(30,602,201)	(30,340,654)	(29,591,828)	748,826	(30,183,665)	(30,787,338)
26TOTAL REVENUE	115,279,422	115,881,724	119,954,652	4,072,927	121,528,265	125,814,197
27Expenditure:						
28Certificated Salary	53,921,221	53,942,958	54,682,408	739,450	55,502,644	56,335,184
29Classified	18,725,883	18,589,749	19,157,919	568,170	19,445,288	19,736,967
30Benefits	30,672,971	30,597,610	30,532,832	(64,778)	34,105,234	35,314,150
31STRS	8,542,347	8,733,336	8,881,622	148,286	10,212,487	10,196,668
32PERS	3,610,798	3,421,727	3,526,991	105,264	4,433,526	4,914,505
33SOCIAL SECURITY & MEDICARE	2,251,261	2,240,019	2,299,149	59,130	2,292,353	2,326,738
34HEALTH AND WELFARE	12,412,367	12,334,045	11,873,976	(460,069)	12,950,747	13,598,285
35SUI	39,128	39,035	39,754	719	42,474	43,036
36WORKERS COMP	2,834,082	2,841,358	2,906,263	64,905	3,147,813	3,195,030
37OPEB	894,692	892,989	912,730	19,741	936,849	950,902
38CASH IN -LIEU	88,296	95,101	92,347	(2,754)	88,986	88,986
39Supplies/Books	3,719,326	3,796,567	3,787,385	(9,182)	3,800,000	3,800,000
40Other Operational Costs	12,348,571	13,877,306	15,400,498	1,523,192	14,132,632	14,132,632
41TRAVEL & CONFERENCE	205,633	258,464	261,438	2,974	258,464	258,464
42DUES & MEMBERSHIPS	55,160	58,853	59,923	1,070	58,853	58,853
43INSURANCE	1,307,468	1,307,468	1,307,468	-	1,307,468	1,307,468
44UTILITIES	2,957,150	2,957,150	3,182,150	225,000	3,200,000	3,200,000
45RENTALS, LEASES, REPAIRS	2,209,563	2,249,140	2,248,594	(546)	2,249,140	2,249,140
46INTRA-FUND TRANSFERS FOR SERVICES	(30,092)	(80,507)	(91,772)	(11,265)	(80,507)	(80,507)
47INTER-FUND TRANSFERS FOR SERVICES	(134,441)	(165,969)	(165,969)	-	(165,969)	(165,969)
48CONSULTANTS & OTHER OPERATING	5,487,915	5,987,524	7,291,864	1,304,340	6,000,000	6,000,000
49Other Operational Costs	1,987,680	2,123,552	2,367,513	243,961	2,400,000	2,400,000
50Consultants	2,730,235	3,105,235	3,330,614	225,379	2,700,000	2,700,000
51Legal	770,000	758,737	843,737	85,000	900,000	900,000
52Pupil Fees Lawsuit	-	-	750,000	750,000	-	-
53COST OF EARLY RETIREMENT INCENTIVE (SERP)	-	1,014,968	1,014,968	-	1,014,968	1,014,968
54COMMUNICATIONS (LAND & MOBILE PHONES)	290,215	290,215	291,834	1,619	290,215	290,215
55Capital Outlay	130,000	215,600	408,221	192,621	425,000	285,000
56Costs Associated with TRANS Issuance	-	960,241	606,489	(353,752)	300,000	300,000
57UNDERWRITER'S DISCOUNT	-	-	30,557	30,557	15,630	15,630
58COST OF ISSUANCE	-	-	41,194	41,194	20,370	20,370
59INTEREST DUE	-	-	534,739	534,739	264,000	264,000
60Transfer to County Specialized Schools	75,000	75,000	75,000	-	75,000	75,000
61Indirect	(1,162,959)	(1,191,961)	(1,257,689)	(65,728)	(1,100,000)	(1,100,000)
62Fiscal Stabilization Plan (Budget Reductions)	-	-	-	-	-	-
63GSH Technology Plan/Replacement	1,000,000	1,000,000	1,000,000	-	2,000,000	2,000,000
64Interfund Transfer Out to Fund 12 Child Development	1,000,000	1,000,000	1,000,000	-	1,000,000	1,000,000
65LCAP Transfer Out to Fund 12 Child Development	200,000	200,000	200,000	-	200,000	200,000
66Interfund Transfer Out to Fund 13 Food Services	900,000	900,000	900,000	-	900,000	900,000
67Interfund Transfer Out to Fund 14 Deferred Maint.	750,000	750,000	750,000	-	1,500,000	1,500,000
68TOTAL EXPENDITURE	122,280,013	124,713,070	127,243,063	2,529,993	132,285,798	134,478,933
69Increase (Decrease) Fund Balance	(7,000,591)	(8,831,346)	(7,288,412)	1,542,934	(10,757,534)	(8,664,736)
70Beginning Fund Balance	22,439,368	22,439,368	22,439,368	0	15,150,955	4,393,420
71Ending Fund Balance (net of lines 69-70)	15,253,883	13,608,022	15,150,955	1,542,933	4,393,420	(4,271,315)
72Reserve - Revolving Cash, Prep-paids	251,984	251,984	251,984	-	251,984	251,984
73Reserve - SERP Retirement Incentive Pymnt	1,014,968	-	-	-	-	-
74Reserve - Deficiting Spending in 20-21	3,521,607	4,801,402	10,757,534	5,956,132	-	-
75Reserve - Deficiting Spending in 21-22	1,623,304	3,031,768	8,664,736	5,632,968	8,664,736	-
76Reserve - Deficiting Spending in 22-23	619,699	-	-	-	-	-
773% Contingency Reserve	5,047,523	5,126,775	5,294,739	167,964	5,388,034	5,367,804
78Reserve Up to 2-months of Expenses	3,174,799	396,093	-	(396,093)	-	-
79Unappropriated Balance	0	0	(9,818,037)	(9,818,037)	(9,911,334)	(9,891,104)

500K

800K

1.2M

400K

700K

100K

6M

1M

500K

MULTI-YEAR PROJECTIONS / UNRESTRICTED GENERAL FUND

	A	B	C	D	E	F	G
		2019-20	2019-20	2019-20		2020-21	2021-22
		ADOPTED BUDGET	FIRST INTERIM	SECOND INTERIM	FIRST & SECOND CHANGE	PROJECTED BUDGET	PROJECTED BUDGET
	Description						
	Revenue:						
1	Property Tax	89,789,181	89,789,181	90,664,260	875,079	94,447,473	98,419,847
2	Education Protection Account (EPA)	2,000,000	2,000,000	2,000,000	-	2,000,000	2,000,000
3	LCFF Transfer to Fund Fund 14	-	-	-	-	-	-
4	LCFF Transfer to Charter School	(20,000)	(20,000)	(20,000)	-	(38,000)	(38,000)
5	Prior Year LCFF Adjustment	-	-	-	-	-	-
6	Minimum State Aid	8,585,843	8,585,843	8,585,843	-	8,585,843	8,585,843
7	Subtotal LCFF Funding	100,355,024	100,355,024	101,230,103	875,079	104,995,316	108,967,690
8	Other Federal	13,000	200,000	200,000	-	100,000	100,000
9	Lottery	1,600,000	1,600,000	1,600,000	-	1,600,000	1,600,000
10	Mandated Reimbursement Block Grant	417,495	417,495	422,665	5,170	420,000	410,000
11	One-time Discretionary Funds	-	-	-	-	-	-
12	Other State Revenue	5,000	5,000	735,333	730,333	5,000	5,000
13	Measure 'R' - Parcel Tax	12,449,227	12,449,227	12,449,227	-	12,698,211	12,952,175
14	Measure 'Y' & 'GSH' - City of Santa Monica	15,553,168	15,553,168	15,553,168	-	15,864,231	16,181,516
15	Joint Use Agreement - City of Santa Monica	9,554,280	9,554,280	9,554,280	0	9,799,171	9,995,154
16	Santa Monica-Malibu Ed Foundation Donation	-	-	-	-	-	-
17	Santa Monica Ed Foundation Donation	2,000,000	2,000,000	2,000,000	-	2,000,000	2,000,000
18	Malibu LEAD Donation	500,000	500,000	-	(500,000)	500,000	500,000
19	Lease & Rental	2,450,000	2,450,000	2,450,000	-	2,450,000	2,450,000
20	Interest Earned	200,000	200,000	709,038	509,038	200,000	200,000
21	Revenue Associated with TRANs Issuance	-	-	721,262	721,262	400,000	400,000
22	ORIGINAL ISSUE PREMIUM	-	-	353,750	353,750	-	-
23	PROJECTED INTEREST EARNED	-	-	367,512	367,512	-	-
24	All Other Local Income	984,430	1,138,185	1,921,404	783,219	1,180,000	1,340,000
25	Local General Fund Contribution	(30,602,201)	(30,340,654)	(29,591,828)	748,826	(30,183,665)	(30,787,338)
26	TOTAL REVENUE	115,279,422	115,881,724	119,954,652	4,072,927	122,028,265	126,314,197
27	Expenditure:						
28	Certificated Salary	53,921,221	53,942,958	54,682,408	739,450	55,502,644	56,335,184
29	Classified	18,725,883	18,589,749	19,157,919	568,170	19,445,288	19,736,967
30	Benefits	30,672,971	30,597,610	30,532,832	(64,778)	34,105,234	35,314,150
31	STRS	8,542,347	8,733,336	8,881,622	148,286	10,212,487	10,196,668
32	PERS	3,610,798	3,421,727	3,526,991	105,264	4,433,526	4,914,505
33	SOCIAL SECURITY & MEDICARE	2,251,261	2,240,019	2,299,149	59,130	2,292,353	2,326,738
34	HEALTH AND WELFARE	12,412,367	12,334,045	11,873,976	(460,069)	12,950,747	13,598,285
35	SUI	39,128	39,035	39,754	719	42,474	43,036
36	WORKERS COMP	2,834,082	2,841,358	2,906,263	64,905	3,147,813	3,195,030
37	OPEB	894,692	892,989	912,730	19,741	936,849	950,902
38	CASH IN -LIEU	88,296	95,101	92,347	(2,754)	88,986	88,986
39	Supplies/Books	3,719,326	3,796,567	3,787,385	(9,182)	3,000,000	3,000,000
40	Other Operational Costs	12,348,571	13,877,306	15,400,498	1,523,192	12,932,632	12,932,632
41	TRAVEL & CONFERENCE	205,633	258,464	261,438	2,974	258,464	258,464
42	DUES & MEMBERSHIPS	55,160	58,853	59,923	1,070	58,853	58,853
43	INSURANCE	1,307,468	1,307,468	1,307,468	-	1,307,468	1,307,468
44	UTILITIES	2,957,150	2,957,150	3,182,150	225,000	3,200,000	3,200,000
45	RENTALS, LEASES, REPAIRS	2,209,563	2,249,140	2,248,594	(546)	2,249,140	2,249,140
46	INTRA-FUND TRANSFERS FOR SERVICES	(30,092)	(80,507)	(91,772)	(11,265)	(80,507)	(80,507)
47	INTER-FUND TRANSFERS FOR SERVICES	(134,441)	(165,969)	(165,969)	-	(165,969)	(165,969)
48	CONSULTANTS & OTHER OPERATING	5,487,915	5,987,524	7,291,864	1,304,340	4,800,000	4,800,000
49	Other Operational Costs	1,987,680	2,123,552	2,367,513	243,961	2,000,000	2,000,000
50	Consultants	2,730,235	3,105,235	3,330,614	225,379	2,000,000	2,000,000
51	Legal	770,000	758,737	843,737	85,000	800,000	800,000
52	Pupil Fees Lawsuit	-	-	750,000	750,000	-	-
53	COST OF EARLY RETIREMENT INCENTIVE (SERP)	-	1,014,968	1,014,968	-	1,014,968	1,014,968
54	COMMUNICATIONS (LAND & MOBILE PHONES)	290,215	290,215	291,834	1,619	290,215	290,215
55	Capital Outlay	130,000	215,600	408,221	192,621	425,000	285,000
56	Costs Associated with TRANs Issuance	-	960,241	606,489	(353,752)	300,000	300,000
57	UNDERWRITER'S DISCOUNT	-	-	30,557	30,557	15,630	15,630
58	COST OF ISSUANCE	-	-	41,194	41,194	20,370	20,370
59	INTEREST DUE	-	-	534,739	534,739	264,000	264,000
60	Transfer to County Specialized Schools	75,000	75,000	75,000	-	75,000	75,000
61	Indirect	(1,162,959)	(1,191,961)	(1,257,689)	(65,728)	(1,100,000)	(1,100,000)
62	Fiscal Stabilization Plan (Budget Reductions)	-	-	-	-	(4,000,000)	(6,000,000)
63	GSH Technology Plan/Replacement	1,000,000	1,000,000	1,000,000	-	1,000,000	1,000,000
64	Interfund Transfer Out to Fund 12 Child Development	1,000,000	1,000,000	1,000,000	-	1,000,000	1,000,000
65	LCAP Transfer Out to Fund 12 Child Development	200,000	200,000	200,000	-	200,000	200,000
66	Interfund Transfer Out to Fund 13 Food Services	900,000	900,000	900,000	-	900,000	900,000
67	Interfund Transfer Out to Fund 14 Deferred Maint.	750,000	750,000	750,000	-	1,000,000	1,000,000
68	TOTAL EXPENDITURE	122,280,013	124,713,070	127,243,063	2,529,993	124,785,798	124,978,933
69	Increase (Decrease) Fund Balance	(7,000,591)	(8,831,346)	(7,288,412)	1,542,934	(2,757,534)	1,335,264
70	Beginning Fund Balance	22,439,368	22,439,368	22,439,368	0	15,150,955	12,393,420
71	Ending Fund Balance (net of lines 69-70)	15,253,883	13,608,022	15,150,955	1,542,933	12,393,420.33	13,728,685
72	Reserve - Revolving Cash, Prep-paids	251,984	251,984	251,984	-	251,984	251,984
73	Reserve - SERP Retirement Incentive Pymnt	1,014,968	-	-	-	-	-
74	Reserve - Deficiting Spending in 20-21	3,521,607	4,801,402	2,757,534	(2,043,868)	-	-
75	Reserve - Deficiting Spending in 21-22	1,623,304	3,031,768		(3,031,768)		-
76	Reserve - Deficiting Spending in 22-23	619,699	-	-	-	-	-
77	3% Contingency Reserve	5,047,523	5,126,775	5,294,739	167,964	5,188,034	5,212,804
78	Reserve Up to 2-months of Expenses	3,174,799	396,093	6,846,698	6,450,605	6,953,402	8,263,896
79	Unappropriated Balance	0	0	0	0	0	0

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## FISCAL REPORT

### COVID-19 Decimates State Revenues, Education Funding



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posted May 7, 2020

In a letter issued by the Department of Finance (DOF) this morning in advance of Governor Gavin Newsom's May Revision release scheduled for next Thursday, May 14, the economic impact of COVID-19 is dramatically greater than the impact of the financial crisis of 2008.

Governor Newsom's financial advisors are now estimating that state revenue losses from the health pandemic that shut down the state, national, and global economies amount to \$41.2 billion. For comparison, when the financial crisis hit in December 2008, early state revenue losses were estimated at \$28 billion. The COVID-19 impact on personal income tax alone—that accounts for two-thirds of the funding the state uses to finance all programs—is estimated to be three times greater than during the Great Recession.

The DOF estimates state revenue losses of \$9.7 billion in the current year and an additional \$32.2 billion in the coming budget year. These losses are compounded by growing caseloads in state social services programs that bring the total shortfall to \$54 billion going into fiscal year 2020–21.

#### Impact on Proposition 98 and Education Funding

A \$41 billion reduction in state revenues from the Governor's January estimates correspond to an \$18.3 billion reduction in Proposition 98 for the 2019–20 and 2020–21 fiscal years. Recall that Governor Newsom estimated the 2020–21 Proposition 98 minimum guarantee would be \$84 billion, up from an estimated \$81.6 billion in the current year. Although the DOF did not provide a fiscal year breakdown of the total reduction in Proposition 98, our best estimate is that the current-year guarantee is reduced by approximately \$3.7 billion while the 2020–21 guarantee would be reduced by \$14.6 billion. This means that based on the Governor's January estimates, the current-year and budget-year minimum guarantees are \$77.9 billion and \$69.4 billion, respectively.



Across both fiscal years, the new estimated loss in education funding is equivalent to a -22.0% cost-of-living adjustment. On a per average daily attendance (ADA) basis for the Local Control Funding Formula (LCFF), the average reduction is approximately \$2,300 in 2020–21. Total per-ADA revenues, inclusive of the LCFF, would be down by \$2,600–\$2,700.

The state's rainy day fund, while at its highest level ever, would provide only a modicum of relief. The fund's balance is approximately \$18 billion, with less than \$500 million specifically reserved for K–14 education. Under current law, only half of the balance can be drawn down in any given year. Given that the state's reserves are inadequate to offset the total revenue loss, including the loss in education funding, we anticipate that the state will impose budget deferrals for the 2019–20 fiscal year. Unlike cash deferrals, budget deferrals allow the state to put cash in the hands of local educational agencies (LEAs) while accounting for those payments in the next fiscal year. It is both too early to tell and too magnitudinous to know how the state intends to manage the 2020–21 Proposition 98 reduction.

### **May Revision and Beyond**

Given the magnitude of the economic crisis, we expect that the May Revision will offer a suite of measures to help LEAs mitigate the devastating impact; although it is difficult to fathom that any or all of them would be sufficient to protect students and staff from the wrath of revenue cuts if they are not accompanied by offsetting federal or state aid.

While we at School Services of California Inc. are having a difficult time wrapping our minds around this recent news, we remain committed to serving each of you by helping you operationalize these data for your respective agencies and providing the latest and most accurate information coming from the state. We also know that everyone is wondering how long this current recession will last, and how quickly we can expect the state to recover from it. Once the Governor's May Revision is released, we intend to address this and more in our *Fiscal Report* and at our May Revision Workshop. We are both humbled and honored to be with and serve each of you during this time.

[Click Here for COVID-19 Related Resources](#)

## FISCAL REPORT

### Senate Returns to Hear Emergency Education Bills



BY MICHELLE MCKAY UNDERWOOD

Copyright 2020 School Services of California, Inc. posted May 11, 2020

Today, May 11, 2020, the Senate returned to Sacramento to a condensed schedule and a significantly scaled down bill load. Much like the Assembly (see [Assembly Returns with Abbreviated Policy Schedule](#) in the April 2020 *Fiscal Report*), the Senate Education Committee will hear a fraction of the number of bills during normal years, with just five on the agenda:

- Senate Bill (SB) 805 would prohibit school districts from requiring an employee to use sick, vacation, or other paid leave if the school is forced to close because of a natural disaster or an evacuation order, or if the employee is unable to report to work because they reside in an area affected by a natural disaster or evacuation order.
- SB 860 would require a county office of education foster youth services plan to describe how the program will coordinate efforts to ensure completion of the Free Application for Federal Student Aid or the California Dream Act Application for foster youth pupils who are in grade 12, and report the number and percentage of pupils in foster care who successfully complete the applications.
- SB 884 would establish the Disaster Relief Instructional Recovery Program for the purpose of allocating funding to eligible local educational agencies (LEAs) to make up instructional days lost due to emergency or other extraordinary conditions, including a public safety power shutoff (PSPS).
- SB 1181 would make various nonsubstantive changes to the Education Code.
- SB 1213 would establish a process and timeline to recommend revisions to the history-social science academic content standards by January 31, 2024, and require the state board to adopt, reject, or modify the recommendations by spring 2024.

While both SB 805 and 884 were originally drafted to address the first crisis of 2019–20—school closures from fire danger and PSPS—these bills would also likely apply to the current COVID-19 pandemic closures. If approved by the Legislature, it is unlikely there will be sufficient State Budget funds to create a Disaster Relief Instructional Recovery Program as proposed by SB 884. However, the provisions of SB 805 do not mandate a

funding source from the state and therefore would cause significant pressures on local budgets at a time when districts are facing drastic cuts (see [COVID-19 Decimates State Revenues, Education Funding](#) in the current *Fiscal Report*).

If approved in committee, the bills would progress to the Senate floor (SB 805 and SB 1181) or the Senate Appropriations Committee (SB 860, SB 884, and SB 1213).

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## FISCAL REPORT

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### 2020–21 May Revision Proposes LCFF Cuts and Deferrals, but Some Good News Too



**BY SSC TEAM**

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posted May 14, 2020

#### Overview

Today, May 14, 2020, Governor Gavin Newsom laid out the details of the May Revision to the 2020–21 State Budget, and they are as grim as expected. Through no fault of his own, the May Revision proposals bear no resemblance to the Governor’s January State Budget, when the Administration anticipated a \$5.6 billion surplus in a \$222 billion spending plan.

The purpose of this article is to provide a quick overview of Governor Newsom’s assertions regarding the revised 2020–21 State Budget. We reserve our commentary on these proposals for inclusion in our more detailed *Fiscal Report* article, to be released later this evening.

#### Proposition 98

As previewed last week, Governor Newsom’s revision to his 2020–21 State Budget proposal reflects significant changes to Proposition 98 in the current and budget years, totaling \$19 billion.

In future years, Governor Newsom plans to provide supplemental appropriations above the constitutionally required Proposition 98 funding level, beginning in 2021–22, and in each of the next several fiscal years.

#### Local Control Funding Formula

For the first time since its creation, the Local Control Funding Formula (LCFF) is facing a reduction instead of an increase. Officially, the statutory cost-of-living adjustment (COLA) is calculated at 2.31% and applied to the LCFF, but a reduction of 10% (\$6.5 billion) will be applied unless “triggered off if the federal government

provides sufficient funding to backfill this cut.” As of this writing, no written details were provided as to how this cut would be applied.

## **CalSTRS and CalPERS**

In positive news, the Administration proposes to redirect the \$2.3 billion paid in the current-year budget to the California Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) towards long-term unfunded liabilities to further reduce employer contribution rates in 2020–21 and 2021–22. This reallocation will reduce the CalSTRS employer rate from 18.41% to approximately 16.15% in 2020–21, and from 18.2% to 16.02% in 2021–22. The CalPERS employer contribution rate will be reduced from 22.67% to 20.7% in 2020–21, and from 25% to 22.84% in 2021–22.

## **Deferrals**

To address a current and anticipated cash crunch, the Administration proposes several deferrals. The first comes immediately, deferring \$1.9 billion of LCFF apportionment from 2019–20 to 2020–21. In 2020–21, the Administration proposes deferrals totaling \$3.4 billion, for a grand total of \$5.3 billion in LCFF deferrals scheduled for payment in 2021–22.

## **Flexibilities**

In order to assist local educational agencies (LEAs) facing this potential 10% LCFF cut, the Administration proposes the following flexibilities, including:

- Exemptions if apportionment deferrals create a documented hardship
- Authority for LEAs to exclude state pension payments on behalf of LEAs from the calculation of required contributions to routine restricted maintenance
- Increases on LEA internal inter-fund borrowing limits
- Authority to use proceeds from the sale of surplus property for one-time General Fund purposes

## **Special Education**

While the proposed \$250 million in one-time funds based on preschoolers with disabilities was dropped at the May Revision, the Administration continues to sustain the Governor’s Budget proposal to increase special education base rates, updated at May Revision to \$645 per pupil (while suspending the 2.31% COLA), apportioned on a three-year rolling average of LEA average daily attendance (ADA) (allocated to Special Education Local Plan Areas).

## Categorical Cuts

The Administration proposes cuts to several non-LCFF programs including: After School Education and Safety, K–12 Strong Workforce Program, CTE Incentive Grants, Adult Education Block Grant, and several others.

## Learning Loss Mitigation

The May Revision proposes a one-time investment of \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor’s Emergency Education Relief Fund) to LEAs to address learning loss related to COVID-19 school closures. Funds will be allocated to LEAs offering classroom-based instruction based on a formula that takes into account the share of students most heavily impacted by school closures, including students with disabilities, low-income students, English learners, youth in foster care, and homeless youth.

## More Analysis to Come

More in-depth coverage of Governor Newsom’s revised proposals will be released in a comprehensive *Fiscal Report* article this evening and at our [May Revision Workshop](#).

[Click Here for COVID-19 Related Resources](#)

## FISCAL REPORT

Dartboard for 2020–21 May Revision Now Available



[BY DAVE HECKLER](#)



[BY MATT PHILLIPS, CPA](#)

Copyright 2020 School Services of California, Inc.

posted May 19, 2020

With the release of the proposed 2020–21 May Revision, the School Services of California Inc. (SSC) Dartboard has been updated to incorporate the latest budget and financial planning factors to assist in developing local agency budgets.

Included in the Dartboard are the proposed factors for the current and out-year cost-of-living-adjustments (COLAs) for the Local Control Funding Formula (LCFF) provided by the Department of Finance (DOF). New this year is the application of a deficit factor necessitated by the cuts to funding under Proposition 98.

	2019–20	2020–21	2021–22	2022–23
DOF Statutory COLA	3.26%	2.31%	2.48%	3.26%
Effective Deficit Factor <sup>1</sup>	0.00%	-7.92%	-7.92%	-7.92%
SSC Recommended Funded COLA	3.26%	0.00%	0.00%	0.00%

<sup>1</sup>Factor is relative to base grant funding per ADA in 2019–20. Actual deficit factor, which is a net of the statutory COLA and proration factor, will vary based on amount of funding allocated to the LCFF by the Governor and the Legislature.

In addition, this widely used planning tool provides the foundation for budget assumptions related to other revenues and expenditures including Lottery and Mandate Block Grant rates, as well as California's Consumer Price Index for the current and future years.

Click [here](#) to view the current Dartboard, as well as historic Dartboards.

## SSC School District and Charter School Financial Projection Dartboard

### Governor's May Revision for 2020–21

This version of School Services of California Inc. (SSC) Financial Projection Dartboard is based on the Governor's May Revision proposal for 2020–21. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF GRADE SPAN FACTORS FOR 2020–21				
Entitlement Factors Per ADA*	K–3	4–6	7–8	9–12
2019–20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Statutory COLA at 2.31%	\$178	\$181	\$186	\$215
2020–21 Base Grants Before Deficit	\$7,880	\$7,999	\$8,236	\$9,544
Deficit Factor at -10.00%	-\$788	-\$800	-\$824	-\$954
<b>2020–21 Base Grants After Deficit</b>	<b>\$7,092</b>	<b>\$7,199</b>	<b>\$7,412</b>	<b>\$8,590</b>
Grade Span Adjustment Factors	10.4%	–	–	2.6%
<b>Grade Span Adjustment Amounts</b>	<b>\$738</b>	<b>–</b>	<b>–</b>	<b>\$223</b>
2020–21 Adjusted Base Grants <sup>1</sup>	\$7,830	\$7,199	\$7,412	\$8,813

\*Average daily attendance (ADA)

LCFF PLANNING FACTORS					
Factor	2019–20	2020–21	2021–22	2022–23	2023–24
Department of Finance Statutory COLA	3.26%	2.31%	2.48%	3.26%	N/A
<b>Effective Deficit Factor<sup>2</sup></b>	–	<b>-7.92%</b>	<b>-7.92%</b>	<b>-7.92%</b>	<b>-7.92%</b>
<b>SSC Recommended Funded COLA<sup>3</sup></b>	–	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

OTHER PLANNING FACTORS						
Factors		2019–20	2020–21	2021–22	2022–23	2023–24
California CPI		2.06%	0.62%	1.73%	2.12%	2.26%
California Lottery <sup>4,5</sup>	Unrestricted per ADA	\$153	\$153	\$153	\$153	\$153
	Restricted per ADA	\$54	\$54	\$54	\$54	\$54
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.18	\$32.18	\$32.18	\$32.18
	Grades 9–12 per ADA	\$61.94	\$61.94	\$61.94	\$61.94	\$61.94
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$16.86	\$16.86	\$16.86	\$16.86
	Grades 9–12 per ADA	\$46.87	\$46.87	\$46.87	\$46.87	\$46.87
Interest Rate for Ten-Year Treasuries		1.22%	0.93%	1.23%	1.80%	2.10%
CalSTRS Employer Rate <sup>6</sup>		17.10%	16.15%	16.02%	18.10%	18.10%
CalPERS Employer Rate <sup>6</sup>		19.721%	20.70%	22.84%	25.50%	26.20%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$69,000 <sup>7</sup>	0 to 300
The greater of 4% or \$69,000 <sup>7</sup>	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

<sup>1</sup>Additional funding is provided for students who are designated as eligible for free or reduced price meals, foster youth, and English language learners. A 20% augmentation is provided for each eligible student with an additional 50% for each eligible student beyond the 55% identification rate threshold.

<sup>2</sup>Factor is applied against the 2019–20 base grants per ADA. Actual proration factor used for LCFF add-ons is 10% which is applied against 2019–20 amounts for transportation, Targeted Instructional Improvement Block Grant (TIIG), minimum state aid, Economic Recovery Target and necessary small schools.

<sup>3</sup>Recommended funded COLA is based on the projection that the Proposition 98 guarantee is not expected to recover to 2019–20 levels during forecast period, and a deficit factor is applied in each year.

<sup>4</sup>Rate for 2020–21 expected to be released by California Department of Education in late June 2020.

<sup>5</sup>Future rates are expected to decrease as a result of the pandemic and the Dartboard will be updated as revised estimates are released.

<sup>6</sup>California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) rates in 2020–21 and 2021–22 are bought down by a \$2.3 billion payment from state of California. Rates in the following years are subject to change based on determination by the respective governing boards.

<sup>7</sup>Rate adjusts upward to \$71,000 beginning in 2020–21.



## SSC School District and Charter School Financial Projection Dartboard 2020-21 Governor's Proposed State Budget

This version of School Services of California Inc.'s (SSC) Financial Projection Dartboard is based on the 2020–21 Governor's State Budget proposal. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF GRADESPAN FACTORS				
Entitlement Factors Per ADA*	K–3	4–6	7–8	9–12
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
COLA at 2.29%	\$176	\$179	\$184	\$214
2020-21 Base Grants	\$7,878	\$7,997	\$8,234	\$9,543
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$819	–	–	\$248
2020-21 Adjusted Base Grants	\$8,697	\$7,997	\$8,234	\$9,791
Supplemental Grants (% Adj. Base)	20%			
Concentration Grants (% Adj. Base)	50%			
Concentration Grant Threshold	55%			

\*Average daily attendance (ADA)

PLANNING FACTORS						
Factors		2019–20	2020–21	2021–22	2022–23	2023–24
Statutory COLA <sup>1</sup>		3.26%	2.29%	2.71%	2.82%	2.60%
California CPI		3.09%	2.99%	2.89%	2.69%	2.73%
California Lottery	Unrestricted per ADA	\$153	\$153	\$153	\$153	\$153
	Restricted per ADA	\$54	\$54	\$54	\$54	\$54
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.92	\$33.81	\$34.76	\$35.74
	Grades 9–12 per ADA	\$61.94	\$63.36	\$65.08	\$66.92	\$68.81
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$17.25	\$17.72	\$18.22	\$18.73
	Grades 9–12 per ADA	\$46.87	\$47.94	\$49.24	\$50.63	\$52.06
One-Time Discretionary Funds per ADA		–	–	–	–	–
Interest Rate for Ten-Year Treasuries		2.07%	2.25%	2.51%	2.50%	2.60%
CalSTRS Employer Rate <sup>2</sup>		17.10%	18.40%	18.10%	18.10%	18.10%
CalPERS Employer Rate <sup>3</sup>		19.721%	22.80%	24.90%	25.90%	26.60%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$69,000	0 to 300
The greater of 4% or \$69,000	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

<sup>1</sup>Applies to LCFF, Special Education, Child Nutrition, Preschool, Foster Youth, American Indian Education Centers/American Indian Early Childhood Education and Mandate Block Grant.

<sup>2</sup>California State Teachers' Retirement System (CalSTRS) rates in 2019–20 and 2020–21 are final. Rates in the following years are subject to change based on determination by the CalSTRS Board.

<sup>3</sup>California Public Employees' Retirement System (CalPERS) rate in 2019–20 is final. Rates in the following years are subject to change based on determination by the CalPERS Board.