

Albany Unified School District
2024-25 First Interim Report and Multiyear Fiscal Projection
As of October 31, 2024
Presented December 13, 2024

Interim budget reports provide a picture of a district's financial condition during the fiscal year. The Governing Board of a school district certifies the district's financial condition to the county office of education through these reports. The First Interim Report is the first of two Interim Reports and presents the Financial status of the District's budget as of October 31st and projects financial activity through June 30th. Illustrated below is a summary of the state budget and budget guidelines as provided by the Alameda County Office of Education, Business & Administration Steering Committee (BASC), School Services of California, and other professional organizations. In addition, the First Interim Report contains summarized and detailed budget information, multi-year projections, and an estimated cash flow report.

While Governor Gavin Newsom signed an on-time budget on June 26, 2024, the following subsequent bills relating to the 2024-25 budget were signed as well.

- Senate Bill 108 – Budget Bill Junior #1: Signed June 29th
- Senate Bill 153 – Education Omnibus Budget Trailer Bill: Signed June 29th
- Assembly Bill 176 – Education Omnibus Budget Trailer Bill #2: Signed September 30th

The first two senate bills retained the majority of the proposals contained in the May Revision along with few additional changes. The assembly bill included clean-up language as well as modifications to the documentation requirements for traditional independent study programs. Since districts' budgets are prepared based on the May Revision, the First Interim Report incorporates the applicable provisions from the enacted state budget and subsequent budget trailer bills.

Enacted State Budget Components

As a result of the state budget being enacted along with incorporating the above trailer bills, illustrated below are the major provisions relating to the 2024-25 fiscal year, as well as impacts for subsequent fiscal years.

- Suspending Proposition 98 for 2023-24, which created an \$8.33 billion maintenance factor that will begin to be repaid with a \$4.07 billion payment to LEAs in 2024-25
 - Local Educational Agencies were not immediately or significantly impacted due to the State drawing down reserves, implementing spending reductions, utilizing budget deferrals, and reappropriating funds to maintain education programs at their current levels.
 - Therefore, the funded COLA for the Local Control Funding Formula (LCFF), special education and other non-LCFF categorical programs remains at **1.07%**.
 - The enacted budget does impose a partial deferral of \$245.6 million from the June 2025 payment to July 2025, which is less than five percent of the most recent June second principal apportionment payment and is therefore not expected to create any cash flow challenges.
- Includes \$303.2 million, inclusive of 1.07% statutory COLA, for the LCFF Equity Multiplier to accelerate gains in closing opportunity and outcome gaps

- LEAs must conduct a **new** needs assessment for the use and expenditure of Learning Recovery Emergency Block Grant funds in 2025-26 through 2027-28 to identify students in the greatest need of learning recovery supports based on chronic absenteeism, English language arts (ELA), and mathematics assessments, as well as include the interventions that will address the needs of the identified students
 - Additionally, expenditures must be included in the 2025-26 through 2027-28 LCAPs that include at least one metric to monitor the impact of actions or services utilizing Learning Recovery Emergency Block Grant funds and provide evidence-based rationale for implementing such actions or services.
- The budget includes a \$100 million investment in the Inclusive Early Education Expansion Program to increase access to inclusive early care and education for children from birth to five years of age.
- Maintains implementation of universal transitional kindergarten (TK), with no changes to the expansion of funded four-year-old students
- The budget foregoes a planned investment of \$550 million to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program in 2024-25.
- Incorporated statutory changes to independent study that are effective in the 2024-25 fiscal year and subsequent fiscal years. Illustrated below are the major changes:
 - Eliminating the three consecutive school day requirement before earning ADA
 - Increasing the allowable duration of short-term independent study to 15 days or fewer
 - Defining long-term independent study as 16 days or more.
 - Authorizing LEAs to collect signed, written agreements for short-term independent study at any time during the year, while maintaining the requirement that agreements be signed and collected before the start of long-term independent study.
 - Expanding the definition of pupil work product to include the daily time value a student spends engaged in asynchronous instruction, regardless of whether work product is produced.
 - The time value of pupil work product and asynchronous instruction must first be documented in hours or fractions of an hour before being converted to days of attendance for all students participating in independent study.
- Establishes the Attendance Recovery Program which, beginning with the 2025-26 school year, provides attendance and instructional time recovery opportunities and absenteeism mitigation for up to 10 days or a student's total absences for the current year, whichever is fewer, as attendance recovery time per pupil for ADA reporting.
 - The voluntary program can be offered before school, after school, during intersession, and on weekends.
 - Attendance credit is limited to a maximum of five days per school week for school districts and COEs, and one day per calendar day on which instruction is provided for charter schools.
- Beginning in 2025-26, districts and charter schools **must** annually declare their intent to run the Expanded Learning Opportunities Program (ELO-P). Available funds will be used to augment the per pupil rate for recipients with a UPP less than 75%. Further, beginning July 1,

2025, ELO-P funds may be used to support attendance recovery provided that the new attendance recovery requirements are followed, and the attendance recovery must be operated by the LEA in conjunction with, and on same school site as, the ELO-P.

- Requires the California Department of Education to develop a pupil benefit form in an alternative electronic format by November 1, 2025 that meets LCFF requirements and federal requirements to determine eligibility for National School Lunch Program (NSLP), School Breakfast Program, and Summer Electronic Benefit Transfer Program.
- Beginning July 1, 2026, as part of the J-13A waiver, LEAs must incorporate an instructional continuity plan into their School Safety Plan, which must include procedures for engaging students within five days of an emergency and providing hybrid or remote learning opportunities within 10 instructional days. In addition, the budget encourages LEAs to provide remote instruction to mitigate learning loss by streamlining independent study when students will be absent for any reason.

Routine Restricted Maintenance Account

Per Education Code Section 17070.75, school districts are required to deposit into the account a minimum amount equal to or greater than three percent (3%) of the total general fund expenditures and other financing uses for that fiscal year. Illustrated below are the primary compliance components:

- The 3% contribution is calculated on total general fund expenditures, including other financing uses (i.e. transfers out, debt issuances relating to the general fund)
- Based on enacted bills from 2019-20 through 2021-22, total general fund expenditures for RRMA purposes do not include STRS on-behalf (Resource 7690) expenditures, and one-time funding sources to address COVID-19 challenges (Resources 3213, 3214, 3216, 3218, 3219, 3225, 3226, 3227, 3228, 5316, 5632, 5633, 5634, and 7027).
- The final 3% contribution is based on year-end actual data; therefore, while it is developed based on the budget, it must be trued up using actual expenditures.
- The actual contribution will be audited as part of the School Facility Program Bond Audit

Reserves

District Reserve Requirements: The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all the following conditions are met:

1. Proposition 98 must be funded based on Test 1
2. Full repayment of the maintenance factor prior to 2014-15
3. Proposition 98 provides sufficient funds to support pupil attendance growth and the statutory COLA
4. Capital gains exceed 8% of general fund revenues

Prior law specified that in any fiscal year immediately following a year in which a transfer of any amount is made to the Public School System Stabilization Account, a district's assigned or unassigned fund balance (including Fund 01 and Fund 17) may not exceed two times the reserve for economic uncertainty (three times the reserve for economic uncertainty for districts with more than 400,000 ADA).

However, Senate Bill (SB) 751 which became effective January 1, 2018 made changes to the school district reserve cap law in the following manner:

- It requires that the reserve cap is triggered in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds three percent of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes (Proposition 98 funding), as specified, for that fiscal year.
- Adjusts the reserve cap from a combined assigned and unassigned ending fund balance based on the size of the district to a combined assigned or unassigned ending balance, in the General Fund (01) and the Special Reserve Fund for Other Than Capital Outlay (17), of 10% of those Funds for all districts.
- Reserves would be capped at 10% as long as the amount in the Public School System Stabilization Account remained at 3% or greater of the Proposition 98 amount in each preceding year.
- Basic aid school districts and districts with fewer than 2,501 average daily attendance are exempt from the reserve cap requirement.

Please note that the district reserve cap is **not** activated for 2024-25 due to the depletion of the Proposition 98 reserve in 2023-24.

2024-25 Albany Unified School District Primary Budget Components

- ❖ Average Daily Attendance (ADA) is estimated at 3,533
- ❖ The District's estimated unduplicated pupil percentage for supplemental and concentration funding is estimated to be 36.07%. The percentage will be revised based on actual data.
- ❖ Lottery revenue is estimated to be \$191 per ADA for unrestricted purposes and \$82 per ADA for restricted purposes.
- ❖ Transitional Kindergarten ratio "add-on" is \$3,077 per transitional kindergarten ADA.
- ❖ The Mandated Cost Block Grant relating to school districts is \$38.21 for K-8 ADA and \$73.62 for 9-12 ADA.
- ❖ Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

General Fund Revenue Components

The District receives funding for its general operations from various sources. A summary of the major funding sources is illustrated below:

Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	\$42,812,439	\$43,063,346
Federal Revenues	\$0	\$972,690
Other State Revenues	\$866,772	\$9,704,549
Other Local Revenues	\$2,563,314	\$12,562,583
TOTAL	\$46,242,525	\$66,303,168

Education Protection Account

As approved by the voters on November 6, 2012, The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the State's sales tax rate and the personal income tax rates for taxpayers in high tax brackets.

Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. Revenues generated from Proposition 30 are deposited into an account called the Education Protection Account (EPA). The District receives funds from the EPA based on its proportionate share of statewide general purpose funds. A corresponding reduction is made to its state aid funds.

Subsequently, on November 8, 2016, the voters approved the California Children's Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore, the temporary sales tax increase expired at the end of calendar year 2016.

K-14 local agencies have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

Further, the annual financial audit includes verification that the EPA funds were used as specified by Proposition 30. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

EPA Funds are accounted for in the Districts *Unrestricted* Budget in *Object 8012*.

Operating Expenditure Components

The General Fund is used for the majority of the functions within the District. As illustrated below, salaries and benefits comprise approximately 90.7% of the District's unrestricted budget, and approximately 80% of the total General Fund budget.

Description	Unrestricted	Combined
Certificated Salaries	\$17,073,497	\$26,147,107
Classified Salaries	\$5,240,786	\$9,521,470
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$11,034,222	\$20,491,677
Books and Supplies	\$758,391	\$2,913,722
Other Operating Expenditures	\$3,122,951	\$11,463,324
Capital Outlay	\$9,660	\$190,221
Other Outgo	-\$458,293	-\$408,774
TOTAL	\$36,781,214	\$70,318,747

General Fund Contributions to Restricted Programs

The following contributions of unrestricted resources to restricted programs are necessary to cover restricted program expenditures in excess of revenue:

Description	Amount
Special Education - Instruction	\$6,761,025
Restricted Maintenance Account	\$1,915,000
Title I	\$26,115
Educator Effectiveness	\$72,928
UPK	\$41,187
School Care	\$85,819
Textbooks	\$150,000
1:1 Devices/Computer Replacement	\$250,000
BTSA/Induction	\$28,586
Pupil Transportation	\$177,471
TOTAL CONTRIBUTIONS	\$9,508,131

General Fund Summary

Adjustments to current year budget (Highlights-See Spreadsheets on General Fund):

Revenues:

The Local Control Funding Formula (LCFF) calculations have been adjusted for current year enrollment and P-2 ADA projections with an estimated increase in ADA of approximately 120. This increase in ADA and increase in the UPP (Unduplicated pupil Count from 1300 to 1358) has resulted in a \$1.2 million increase in LCFF Funding. In addition, staff has reviewed Interest earnings and both Unrestricted and Restricted Lottery for the current and prior fiscal years and has increased these budgets accordingly.

For the Restricted Revenues, Title I funding was reduced from approximately \$215K to \$109K resulting in a loss of Federal funds of over \$100K. Other State Revenues have been increased based on the CDE Preliminary Allocation schedules as well as any 2023-24 deferred revenue and carryover.

Parcel Tax Revenue was adjusted based on information from the Alameda County Tax Offices and Local Site Revenue (8699) was increase significantly based on PTA and Boosters and local donations in support of our schools.

The contribution to restricted funds has increased in large part due to Special Education costs and increases to the required 3% contribution to Routine Restricted Maintenance. In addition, a new restricted fund for both Textbooks Adoptions (\$150K) was created and for 1:1 Device/Computer

Replacement (\$250K) with a contribution from the Unrestricted budget (See chart for Contribution detail).

Expenditures:

The budgets for Certificated and Classified salary and benefits has been adjusted to reconcile position control to the budget based on final staffing, estimated substitute costs, summer school costs, etc. The budgets for employee benefits was adjusted based on the salary adjustments noted previously, and Health & welfare costs. In addition, the final workers compensation rate was received in November 2024 at 2.42% rather than the 3.03%, which was included in the Adopted budget. The overall savings for workers comp was approximately \$250K.

The budgets for Materials & Supplies and Other Operating Expenditures were adjusted for various reasons including reconciling to the school site budget allocations released in August 2024; adding school site discretionary funding for intervention for each school; adjusting custodial supply budgets; increasing the restricted textbook adoption budgets (4100) for the new fund; and creation of the 1:1 Device/Computer Replacement budget.

Other Operating Expenditures were adjusted based on current information and trend analysis (Utilities, etc.), and for current NPS/NPA and Special Education contract cost estimates. The use of sub-agreements (5100) was implemented in order to enable the District to charge indirect costs on categorical program contracts up to \$25K for programs such as ELOP and Special Education.

The District's 2024-25 General Fund projects a total operating **deficit** of \$4 million resulting in an estimated ending fund balance of \$ 6.1 million. The components of the District's fund balance are as follows: revolving cash & other nonspendables - \$25,000; restricted programs - \$55,352; assignments - \$0; 5% Reserve for Economic Uncertainty - \$2,109,562; unassigned - \$3,896,576. The *majority* of the \$4 million in Deficit Spending is in the restricted budget due to one-time expenditures associated with carryover and deferred revenue for Federal, State, and Local Grants.

Cash Flow

The District is anticipating having positive monthly cash balances during the 2024-25 school year. Cash is always closely monitored in order to ensure the District is liquid to satisfy its obligations.

Enrollment

Historical Enrollment per CBED

2014-15	3881
2015-16	3822
2016-17	3702
2017-18	3658
2018-19	3682
2019-20	3586
2020-21	3501
2021-22	3514
2022-23	3529
2023-24	3574

Projected Enrollment (See attached)

2024-25	3692 (CBEDS)
2024-25	3718 (<u>Month 4 enrollment</u>)
2025-26	3718 Cohort Projections
2026-27	3713 Cohort Projections
2027-28	3758 Cohort Projections

Historical Enrollment and ADA

Fiscal Year	Enrollment Projection	Changes over Prior Year	P-2 ADA
2015-16	3,822		3,711
2016-17	3,702		3,621
2017-18	3,658		3,543
2018-19	3,682		3,549
2019-20	3,586		3,484
2020-21	3,501		n/a
2021-22	3,514		3,395
2022-23	3,529		3,363
2023-24	3,572		3,393
2024-25	3,718		3,533
2025-26	3,718		3,532
2026-27	3,713		3,527

Local Control Funding Formula (LCFF) Calculations

The Following is Albany Unified School Districts LCFF Funding for 2024-25:

COLA						1.07%	FY 24-25 Daily ADA
	ADA	Base	Gr Span	Supplemental	Concentration		
Grades TK-3	1060.40	\$10,630,983	\$1,105,997	\$846,199	\$0	12,582,179	\$66
Grades 4-6	833.35	\$ 8,481,144	\$0	\$611,679	\$0	\$9,092,823	\$61
Grades 7-8	550.95	\$ 5,772,330	\$0	\$416,978	\$0	\$6,189,308	\$62
Grades 9-12	1088.30	\$13,216,225	\$343,903	\$978,324	\$0	\$14,538,452	\$74
Total(s)	3533.00	\$38,100,682	\$1,449,900	\$2,853,180	\$0	\$42,403,762	\$67
Home to School Transportation							\$30,499
Transitional Kindergarten							\$378,286
Total LCFF Funding							\$42,812,547

Since ADA is such an essential part of the District's income base, the ADA projection for the current and 2 subsequent fiscal years is an integral part in projecting the District's income. Currently, even a 1% change in attendance rates (Approx. 35 ADA) would be a \$420,000 change in the District's projected revenues. Therefore, District attendance records are monitored monthly, and ADA is updated throughout the year to ensure that the projected revenues are in line with the District's budgeted or revised projections. The Albany Unified School District has approximately 95% attendance rate compared to enrollment for the past three years. Prior to COVID-19, the attendance rate was approximately 96.6%.

Multiyear Projection

General Planning Factors:

Illustrated below are the latest primary funding factors relating to the May Revise.

<i>Planning Factor</i>	2023-24	2024-25	2025-26	2026-27
Dept of Finance Statutory COLA	8.22%	1.07%	2.93%	3.08%
STRS Employer Rates	19.10%	19.10%	19.10%	19.10%
PERS Employer Rates	26.68%	27.05%	27.40%	27.50%
SUI Employer Rates	0.05%	0.05%	0.05%	0.05%
Lottery – Unrestricted per ADA	\$211	\$191	\$191	\$191
Lottery – Prop. 20 per ADA	\$102	\$82	\$82	\$82
Universal Transitional Kindergarten/ADA	\$3,044	\$3,077	\$3,167	\$3,265
Mandate Block Grant for Districts: K-8 per ADA	\$37.81	\$38.21	\$39.33	\$40.54
Mandate Block Grant for Districts: 9-12 per ADA	\$72.84	\$73.62	\$75.78	\$78.11
Mandate Block Grant for Charters: K-8 per ADA	\$19.85	\$20.06	\$20.66	\$21.29
Mandate Block Grant for Charters: 9-12 per ADA	\$55.17	\$55.76	\$57.39	\$59.16
Routine Restricted Maintenance Account (refer to the provisions discussed above)	3% of total GF expend & outgo	3% of total GF expend & outgo	3% of total GF expend & outgo	3% of total GF expend & outgo

Various aspects of the planning factors illustrated above will be further discussed below with the District's specific revenue and expenditure assumptions.

Revenue Assumptions:

Per enrollment trends, the District continues to **anticipate flat** enrollment (3718) and no change to the District's Unduplicated Pupil Count (UPP) currently at 1358. The Local Control Funding Formula is based on the Department of Finance's estimates of COLA and funding percentages towards the District's LCFF Target as noted above. Unrestricted local revenue is estimated to remain relatively constant for the subsequent years. Restricted federal and local revenue increases are associated with increased costs relating to self-funded programs. State revenue and Federal Revenue are expected to remain flat with slight increases due to ADA increases and COLA.

Expenditure Assumptions:

Certificated step and column costs are expected to increase by 1.5% each year. Classified step costs are expected to increase by 1.5% each year. Restricted certificated and classified expenditures are estimated to decrease for 2025-26 primarily due to program adjustments.

As a result of changes to salaries, adjustments to benefits are made to reflect the effects of salary changes noted above, program adjustments, and expected increases to employer pension costs as per the discussion provided earlier in this report. Specifically, the District is projecting Certificated Driven Costs of 26.1% and Classified Driven costs of 40.8%. In addition, the District is projecting potential increases to H&W of 8% (25-26-\$428,000) and 10% (26-27- \$523,000)

Unrestricted Expenditure budgets for Materials and Supplies, Other Operating Expenditures, and Capital outlay are estimated to remain constant with an inflation factor of 2%.

Restricted Expenditure Budgets are estimated to decrease for 2025-26 primarily due to one-time expenditures related to a significant amount of 2023-24 restricted carryover (\$4 million). These carryover funds are primarily related to the ELOP program (Re 2600), Routine Restricted Maintenance (Re 8150), Prop 20 Lottery Funds (Re 6300) and other State and Local resources. The District anticipates that approximately \$1 million is in Materials and Supplies, \$3 million is in Other Operating Expenditures and \$100,000 is in Capital outlay. The projections for these expenditure accounts have been reduced in 2025-26 accordingly and then an inflation amount of 2% has been added. Other outgo and Transfer out are estimated to remain relatively constant. Indirect costs from restricted programs are expected to decrease for 2025-26 due to program adjustments noted above and remain constant thereafter.

Contributions to restricted programs are expected to increase for 2025-26 and 2026-27 by approximately \$400,000/\$350,000 respectively due to increases in Special Education and other program adjustments noted above such as step & Column costs and additional pension costs for restricted programs that receive support from the unrestricted General Fund.

Estimated Ending Fund Balances:

During 2025-26, the District estimates that the General Fund is projected to deficit spend by ~~<\$115,695>~~ resulting in an ending General Fund balance of approximately \$5.9 million.

During 2026-27, the District estimates that the General Fund is projected to deficit spend by ~~<\$162,907>~~ million resulting in an ending General Fund balance of \$5.75 million.

Illustrated below are the components of fund balance for the current and two subsequent years in accordance with Senate Bill 858 disclosure requirements that show the amounts over the State mandated reserve of 3 percent of total General Fund outgo:

Description	2024-25	2025-26	2026-27
24-25 Projected Deficit	(\$16,424)		
25-26/2026-27 Projected Deficits	\$0	(\$115,695)	(\$162,907)
Unallocated	\$3,896,576	\$3,858,877	\$3,647,637
Amount Disclosed per SB 858 Requirements	\$3,896,576	\$3,858,877	\$3,647,637
Nonspendable Reserves	\$25,000	\$25,000	\$25,000
Restricted Reserves			
Committed Reserves	\$0	\$0	\$0
State Reserve for Economic Uncertainty (REU)	\$2,109,562	\$2,031,566	\$2,079,899
<i>Estimated Ending Fund Balance</i>	<i>\$6,031,138</i>	<i>\$5,915,443</i>	<i>\$5,752,536</i>

Conclusion:

Despite current year and future projected deficit spending, the projected budget and multi-year projections support that the District is projecting to be able to meet its financial obligations for the current and subsequent two years (Positive Certification).

Staff will continue to monitor enrollment and ADA as well as staffing for 2025-26 and adjustments for any one-time revenues and or expenditures .in order to ensure that any ongoing deficit spending is minimized.