

Millbrae Elementary School District



2022-23 Adopted Budget Executive Summary

Board of Trustees

Mr. Frank Barbaro, President of the Board
Mr. Denis Fama, Vice President of the Board
Ms. Lynne Ferrario, Clerk of the Board
Ms. Karen Chin, Board Member
Ms. Maggie Musa, Board Member

Administration

Debra French, Superintendent
Ralph Crame, Chief Business Official

Fiscal Year Budget Calendar (2022-23)

January 2022	Governor's release of State budget proposal for FY 2022-23 Review of staffing for FY 2022-23
February 2022	Board/Staff conducts budget study based on Governor's release
March 2022	Board/Staff review and adjust staffing levels for FY 2022-23
April 2022	Board may conduct additional budget study sessions
May 2022	Governor's release of State Budget May Revise for FY 2022-23 Board/Staff conducts additional budget study sessions
June 2022	Board Adopts FY 2022-23 budget and LCAP Governor signs State Budget
July-August 2022	No later than 45 days after the Governor signs the annual Budget Act, the school district should make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.
September 2022	Board approval 2021-22 Unaudited Actuals
October 2022	First Interim cut off FY 2022-23
December 2022	Board approval First Interim FY 2022-23 Release of Auditor's Report for FY 2021.22
January 2023	Second Interim cut off FY 2022-23 Board approval of Auditor's Report for FY 2021.22
March 2023	Board approval Second Interim for FY 2022-23
July 2023	Business office staff begins year end closing 6/30/2023
September 2023	Board approval of FY 2022-23 Unaudited Actuals
December 2023	Release of Auditor's Report for 2022-23
January 2024	Board approval of Auditor's Report for FY 2022-23

As required by law and best fiscal practices, school districts throughout the State of California must adopt a preliminary budget prior to the beginning of each fiscal year, July 1st. The Board shall adopt the budget only after a local control and accountability plan (LCAP) developed pursuant to Education Code 52060-52077, or an annual update to the LCAP, is in place for the budget year. Expenditures necessary to implement the LCAP, or the annual update during the subsequent fiscal year, shall be included in the budget. (Education Code 42127) Due to the fact that we cannot be certain of the amount of revenue, expenditures, and other fiscal impacting events, our budget continues to be adjusted.

As most districts, Millbrae School District's budget process is continuous. During the school year, the District reviews, adjusts and confirms its financial status with interim reports and unaudited year-end financial reports. Districts are required by law to report their financial status to the public and to county office of education officials. Each of these reports are intended to identify emerging problems and avert a financial crisis.

The District's elected school board holds final responsibility for adopting the budget, and that budget must be balanced—i.e., allow the district to meet its current and future financial obligations and maintain its required 3% reserve. The board's role in fiscal accountability goes beyond a simple vote, however. The board also sets policies that help guide both the budget development and financial management of the district's revenues and expenditures throughout the year. The Board must moderate the inclination to innovate and invest in new priorities, provide raises to employees, or invest in new problems not supported with on-going revenues—with a clear-sighted evaluation of the district's current and anticipated fiscal condition. It is responsible for supporting and monitoring the implementation of the budget as carried out by the superintendent and district staff. And it sets the expectations for how the district's financial status and expenditure decisions will be communicated to board members and to the public.

2022-23 Preliminary Budget Key Guidance

Governor Gavin Newsom's spending plan is an eye-popping \$300.7 billion budget to "provide relief from rising inflation, ensure public safety, address homelessness, transform public education, and combat climate change. This budget provides for a COLA and several one-time funding opportunities.

Significant Changes Since Second Interim

After the Governor released his January Budget, many speculated that the state would have a significant issue relating to its spending limit, or Gann Limit, in the current fiscal year moving forward as the increase in state General Fund revenues outpace the annual adjustment to how much the state can spend annually. However, the May Revision includes a multitude of investments, including tax credits, rebates, and infrastructure spending, that help it avoid reaching its Gann Limit in 2021-22 and 2022-23.

According to the May Revision, the Proposition 98 minimum guarantee across the three-year State Budget window has increased by \$19.6 billion above Governor Newsom's January Budget estimates.

**Proposition 98 Funding From January to May
(In millions)**

	2020-21		2021-22		2022-23	
	January	May	January	May	January	May
General Fund	\$70,035	\$70,231	\$71,845	\$83,640	\$73,134	\$82,292
Local Property Tax	\$25,901	\$25,869	\$27,219	\$26,560	\$28,846	\$28,042
Total Minimum Guarantee	\$95,936	\$96,100	\$99,064	\$110,200	\$101,980	\$110,334

Local Control Funding Formula

With the May Revision, the statutory COLA for LCFF has increased to 6.56%, which the Administration proposes to fully fund. The other education programs that are funded outside of the LCFF—Special Education, Child Nutrition, Foster Youth, Mandate Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education program—will also receive the 6.56% statutory COLA.

The May Revision also proposes to mitigate the drop in enrollment, and subsequent ADA that is being experienced in 2021-22 by local educational agencies (LEAs) due to the pandemic. To do this, the May Revision proposes allowing all classroom-based LEAs the ability to be funded in 2021-22 on the greater of their current-year ADA or their current-year enrollment adjusted for pre-COVID-19 absence rates. The proposal to allow school districts the use of the average of the three prior years' ADA for LCFF funding purposes will be adjusted to allow for this change in 2021-22. These two proposals represent an estimated \$3.3 billion in ongoing General Fund plus an additional \$463 million in one-time Proposition 98 General Fund dollars.

LCFF Entitlements for School Districts and Charter Schools

The base grants by grade span for 2022-23 are increased over 2021-22 by the estimated statutory COLA of 6.56%. Not included in the table below are the impacts of the additional \$2.1 billion proposed to increase LCFF base funding. If this proposal moves forward, it would result in a total increase over 2021-22 of approximately 10%.

Grade Span	2021-22 Base Grant Per ADA	6.56% COLA	2022-23 Base Grant Per ADA
TK-3	\$8,093	\$531	\$8,624
4-6	\$8,215	\$539	\$8,754
7-8	\$8,458	\$555	\$9,013
9-12	\$9,802	\$643	\$10,445

6.56% LCFF COLA Scenarios—Example		
	No Enrollment Change	2.5% Decline ¹
Description	District 1	District 2
Prior-Year Funded ADA	10,000	10,000
Prior-Year \$ per ADA	\$10,000	\$10,000
Prior-Year Total	\$100,000,000	\$100,000,000
Current-Year Funded ADA	10,000	9,750
Current-Year \$ per ADA	\$10,656	\$10,656
Current-Year LCFF Dollars	\$106,560,000	\$103,896,000
Percentage Increase	6.56%	3.89%

However, guidance from School Services reminds districts that with the decline in enrollment across the state, an increase in COLA does not always mean an increase in funding.

Planning Factors for 2022-23 and MYPs

Key planning factors for LEAs to incorporate into their 2022-23 budgets and MYPs are listed below and are based on the Governor's May Revision. The Department of Finance estimates the proration factor will grow to effectively eliminate statutory COLA until such time as the state is able to recover economically.

Planning Factors	2022-23	2023-24	2024-25
Statutory COLA	6.56%	5.38%	4.02%
STRS Employer Rates	19.10%	19.10%	19.10%
PERS Employer Rates	25.37%	25.20%	224.60%
State Unemployment Insurance	0.50%	.20%	.20%
Lottery – Unrestricted Lottery	\$163	\$163	\$163
Lottery – Restricted Lottery	\$65	\$65	\$65
Mandated Block Grant	\$34.94	\$36.82	\$38.30
<i>Routine Restricted Maintenance Account (Flexibility for calculation to exclude STRS and PERS on behalf payments, ESSER and LLF from calculation)</i>	3%	3%	3%

Financial Report Information:

The District's Budget and Accounting format are based on the California School Accounting Manual (CSAM) utilize the Standardized Account Code Structure (SACS). Accounting is the fiscal information system for business. The District's accounting, referred to as Governmental Accounting is organized and operating on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other fiscal resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

General Fund (Fund 01): The General Fund is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions, except those required or permitted by law to be in another fund, are accounted for in this fund. The General Fund consists of unrestricted and restricted funds.

General Fund, Unrestricted: General Fund Unrestricted is to account for projects and activities that are funded with unrestricted revenues.

General Fund, Restricted: General Fund, Restricted, is to account for projects and activities that are funded by external revenue sources that are legally restricted or restricted by the grantor for specific purposes.

General Fund Revenues: \$30,105,579

(Unrestricted \$18,445,972; Restricted \$) 11,659,607

Description	2022-23 Proposed Budget		
	Unrestricted	Restricted	Combined
Revenues:			
LCFF Revenue	21,566,950.00	1,553,256.00	23,120,206.00
Federal Revenue	-	1,980,668.00	1,980,668.00
State Revenue	402,614.00	2,646,756.00	3,049,370.00
Local Revenue	613,901.00	1,246,043.00	1,859,944.00
Transfers In	95,391.00	-	95,391.00
Contributions	(4,232,884.00)	4,232,884.00	
Total Revenue	\$ 18,445,972.00	\$ 11,659,607.00	\$ 30,105,579.00

Local Control Funding Formula (LCFF) Revenue Sources (Object 8010-8099) \$23,120,206

(Unrestricted \$21,566,950; Restricted \$1,553,256)

LCFF revenue sources represent 78% of the total General Fund revenues. It is the primary source of revenue for the District. The unrestricted portion represents the estimated Principal Apportionment (P2 Average Daily Attendance) using the LCFF funding components by grade level. LCFF includes State Aid, property taxes and Proposition 30 (Education Protection Account) funding. The Restricted portion of the LCFF funding pertains to the funding distributed to Special Education.

Federal Revenue (Object 8100-8299) \$1,980,668

Federal Revenue represents 6% of the total General Fund revenues. It includes funding for Special Education in the amount of \$466,285; Title I of \$163,241; Title II of \$38,538, Title III of \$49,374, and Title IV of \$10,899; ESSER II and III of \$1,252,331.

Other State Revenue (Object 8300-8599) \$3,049,370

(Unrestricted \$402,614; Restricted \$2,646,756)

Other State Revenue represents 10% of the total General Fund revenues, and includes Lottery Funding (Unrestricted/Restricted), Mandated Cost Reimbursement, ASES Program, TUPE, STRS on behalf, Special Ed Mental Health Funding. Additionally, for 2022-23 Funds have been included for In-person instruction grant, Educator Effectiveness Grant, Universal TK and carryover was included for the Expanded Learning Opportunities Grant.

Other Local Revenue (Object 8600-8799); \$ 1,859,944

(Unrestricted \$613,901; Restricted \$1,246,043)

Other Local Revenue represents 6% of total General Fund revenues. The unrestricted revenue includes, Interest Income, leased site revenue, and retiree reimbursement revenue. Restricted local revenue includes revenue from Parcel Tax Revenue and Millbrae Education Foundation.

In June of 2018, voters approved Measure N, a five-year parcel tax at the rate of \$97 per parcel for all taxable parcels. Measure N is scheduled to expire with tax ending June 30,2023. The District will need to pursue another parcel tax to begin for the 2023-24 school year or will need to make additional budget reductions to offset the loss in parcel tax revenue. The District has projected Parcel Tax Revenue of \$611,043 for the 2022-23 School Year.

Transfers In (Object 8900-8929) \$95,391

The 2021-22 budget continues to reflect Transfers In for interest from Fund 40 to General Fund along with interest savings on loan payoff and committed through board action to add to the District reserve levels and move towards the reserve level as outlined in board policy.

General Fund Expenditures: \$30,746,033
(Unrestricted \$18,989,960; Restricted \$11,756,073)

Description	2022-23 Proposed Budget		
	Unrestricted	Restricted	Combined
Certificated Salaries	10,008,072.00	3,146,589.00	13,154,661.00
Classified Salaries	2,453,113.00	1,640,365.00	4,093,478.00
Employee Benefits	4,659,347.00	3,267,781.00	7,927,128.00
Books and Supplies	280,287.00	447,537.00	727,824.00
Other Svcs & Oper	1,656,309.00	2,862,963.00	4,519,272.00
Other Outgo	42,022.00	315,648.00	357,670.00
Transfer of Indirect	(109,190)	75,190	(34,000)
Transfers Out		-	
Total Expenditures	\$ 18,989,960.00	\$ 11,756,073.00	\$ 30,746,033.00

Certificated Salaries (Object 1000-1999) \$13,154,661
(Unrestricted \$10,008,072; Restricted \$3,146,589)

Certificated Salaries, including administrative staff positions, require a credential or permit issued by the Commission on Teacher Credentialing. Certificated salaries represent 44% of the total General Fund expenditures; approximately 71% of the total certificated positions are funded by unrestricted funds and 29% of the total positions are funded by restricted funds.

Classified Salaries (Object 2000-2999) \$4,093,478
(Unrestricted \$2,453,113; Restricted \$1,640,365)

Classified Salaries represent the positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. The positions in this classification are Chief Business Official, Administrative Assistant, Administrative Secretary, Attendance Secretary, District Office Staff, Instructional Aide, Occupational Therapist, Special Ed Para Aide, Tutors, Behaviorist and Maintenance and Operations Staff.

Employee Benefits (Object Code 3000-3999) \$ 7,927,128
(Unrestricted \$4,659,347; Restricted \$3,267,781)

Employee Benefits represents 26.33% of the total General Fund expenditures and consist of contributions to retirement plans including the State Teachers Retirement System (STRS) and the Public Employees' Retirement System (PERS), Health and Welfare benefits and payroll related statutory costs, including

Workers Compensation, Social Security, Medicare and Unemployment Insurance. The District has included employer pension rates based on School Services May Revise Dartboard– 19.10% for STRS 2022-2025 and 25.37%, 22-23; 25.20% 23-24; 24.60% 24-25.

Total Combined Salaries & Employee Benefits: The total combined compensation (certificated, classified and benefits) for the district is \$25,175,267, representing 84% of total expenditures

Books and Supplies (Object 4000-4999) \$727,824
(Unrestricted \$280,287; Restricted \$447,537)

Books and Supplies represent 2.41% of total General Fund Expenditures and consist of books, reference materials, other supplies and non-capitalized equipment (equipment less than \$5000).

Services and Other Operating Expenditures (Object 5000-5999) \$4,519,272,
(Unrestricted \$1,656,309; Restricted \$2,862,963) Services and Other Operating Expenditures account for expenditures for services, rentals, leases, maintenance contracts, dues, travel and conference, service agreements, insurance, utilities, legal and other operating contracts and represents 15% of total General Fund Expenditures.

Capital Outlay (Object 6000-6999) \$0.00

This category accounts for any capital outlay expenditures over a cost of \$5,000

Other Outgo-Transfers for Direct Charges (7100-7299,7400-7499) \$357,670
(Unrestricted \$42,022; Restricted \$315,648)

Expenditures for Other Outgo for the District are those expenditures necessary to record payments for tuition, excess costs, and/or deficits paid to programs operated by the county superintendent of schools.

2022-23 Adopted Budget - Summary of Funds	Cafeteria	Special Reserve for Other than Capital Outlay	Foundation	Spec Reserve for Post-Employment Benefits	Capital Facilities	Special Reserve for Capital Outlay Projects
	Fund 13	Fund 17	Fund 19	Fund 20	Fund 25	Fund 40
Beginning Fund Balance	336,656.24	534,140.14	55,506.84	2,117,922.67	900,334.65	12,973,344.73
REVENUES:						
LCFF/Property Taxes	-					
Federal Revenue	1,189,728.00					
Other State Revenue	78,601.00					
Other Local Revenue	1,500.00	6,400.00		20,000.00	66,000.00	653,000.00
Total Revenues	1,269,829.00	6,400.00	0	20,000.00	66,000.00	653,000.00
EXPENDITURES						
Certificated Salaries	-					

Classified Salaries	435,380.00					
Employee Benefits	207,426.00					
Books and Supplies	578,520.00					29,600.00
Services and Other Operating Expenses	37,898.00	-	0	-	-	167,900.00
Capital Outlay	-					
Other Outgo	-					
Transfers of Indirect Costs	34,000.00					
Total Expenditures	1,293,224.00	-		-	-	197,500.00
Other Financing Sources:						
Inter fund Transfers In						
Inter fund Transfers Out	-					95,391.00
Net Increase/(Decr) to Fund Balance	\$ (23,395.00)	6,400.00	-	20,000.00	66,000.00	360,109.00
2021-22 Ending Fund Balance	\$ 313,261.24	540,540.14	50,506.84	2,137,922.67	966,334.65	13,871,558.52

Fund 13- Cafeteria Special Revenue Fund:

This fund is used to account separately for federal, state and local resources to operate the food service program (Education Code sections 38090 and 38093). The main revenues in this fund are:

- Child Nutrition Programs (Federal)
- Child Nutrition Programs (State)
- Food Service Sales
- Interest

The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code sections 38091 and 38100).

Fund 17 - Special Reserve Fund for Other than Capital Outlay Projects:

This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (Education Code 42840). Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made (Education Code Section 42842).

Fund 19 - Foundation Special Revenue Fund:

This fund is used to account for the resources received from gifts or bequests pursuant to Education Code section 41031 under which both earnings and principle may be used for purposes that support the LEA's own

programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the General Fund.

Fund 20 - Special Reserve Fund for Postemployment Benefits:

This fund is used pursuant to Education Code section 42840 to account for amounts the LEA has earmarked for the future cost of post-employment benefits (OPEB) but has not contributed irrevocably to a separate trust for the post-employment benefit plan. Amounts accumulated in this fund must be transferred back to the general fund for expenditures (Education Code section 42842).

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund.

Fund 25 - Capital Facilities Fund:

This fund is used primarily to account separately for moneys received from fees levied on development projects as a condition for approval (Education Code 17620-17626 and Government Code Section 65995 et seq.) The authority for these levies may also be county or city ordinances (Government Code Sections 65970-65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

The principal revenues in this fund are:

- Interest
- Mitigation/Developer Fees

Expenditures in Fund 25, Capital Facilities Fund, are restricted to the purposes specified in Government Code Section (65970-65981 or Government Code Section 65995 et seq., or to the items specified in agreements with the developer (Government Code Section 66006). Costs of justifying and adopting fees may be paid from Fund 25 (Education Code 17620). Administrative costs of collecting fees may be reimbursed from Fund 25 within the limitations of Education Code Section 17620. Eligible expenditures incurred in another Fund may be reimbursed to that fund by means of an inter-fund transfer of direct costs.

Fund 40 - Special Reserve for Capital Outlay Projects:

This fund exists primarily to provide for the accumulation of general fund moneys for Capital outlay purposes (Education Code 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to Fund 21, 25, 30, 35, or 49. Other authorized resources that may be deposited to the Special Reserve Fund for Capital Outlay Projects (Fund 40) are proceeds from the sale or lease-with-option-to-purchase real property (Education Code section 17462) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (Education Code Section 41003).

The principal revenues and other sources in this fund are:

- Federal, State and Local Revenues
- Rental and Leases
- Interest
- Proceeds from the Sale/Lease-Purchase of Land/Buildings
- Other authorized Interfund Transfers In
- Federal Emergency Management Act (FEMA)

Transfers from the general fund to Fund 40 authorized by the governing board must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to purchase may be spent for capital outlay purposes, cost of maintenance of the LEA's property, and future maintenance and renovation of school sites (Education Code Section 17462). Expenditures for capital outlay are most commonly made against 6000 object codes for capital outlay. Salaries of school district employees whose work is directly related to projects financed by Fund 40 revenues are capitalized as part of the capital Facilities project.