

January 15, 2022

Mr. Michael Coleman, District Superintendent
Ms. Rene Adamo, Board President
Maricopa Unified School District
955 Stanislaus St.
Maricopa, CA 93252

RE: Return of First Interim Report

Dear Mr. Coleman and Ms. Adamo:

Thank you for the submission of your fiscal year 2021-22 First Interim Report. Education Code 42131 requires that as a part of the interim review process, the County Superintendent of Schools reviews and analyzes district interim reports in accordance with State Board Criteria and Standards pursuant to Education Code 33127. Each interim is reviewed to determine whether the school district can meet its multiyear financial commitments and to identify technical corrections needed to bring the budget into state standardized reporting compliance.

Based on the multiyear projections and assumptions provided by the District, it appears that the District should be able to meet its financial obligations for the current and two subsequent fiscal years. Thus, we concur with the district's **Positive certification**.

BUDGET SUMMARY – GENERAL FUND

A.	Total Revenues (Form 01, Line A5)	\$	8,953,888.00
B.	Total Expenditures (Form 01, Line B9)	\$	6,933,941.00
C.	Total Other Finance Sources/Uses (Form 01, Line D1b plus Line D2b)	\$	(1,978,270.00)
D.	Net increase/(decrease) in Fund Balance (Form 01, Line E)	\$	41,677.00
E.	Total Available Unrestricted Reserves (Form 01CS, 10C., Column 1, Line 8)	\$	3,196,142.48
F.	Available Unrestricted Reserves expressed as a percent of Total Expenditures and Other Uses (Line E divided by Lines B plus C)		35.86%

State criteria for minimum reserves for your district is 5%

FINAL ENACTED STATE BUDGET

Local Control Funding Formula (LCFF)

Increasing pressure is being placed on LEAs to improve outcomes for students, this may necessitate a reallocation of resources if existing programs are not producing the desired results. Each LEA faces its own particular set of educational challenges, and there is no “one size fits all” plan. Similarly, each LEA’s financial risk factors are unique as they are based on the district’s current reserve levels, enrollment trends, bargaining agreements, degree of revenue volatility and various other local and statewide factors.

The 2021-22 COLA was approved at 5.07%. Planning factors indicate that the COLA will be 3.0% or less in the subsequent two years. Districts are encouraged to develop multiple scenarios using the current LCFF planning factors as the best case scenarios. District scenarios should also include current year trends for enrollment and ADA as many districts throughout the state are already reporting declines in enrollment, ADA, or both. Districts are held harmless regarding ADA levels for the 2021-22 fiscal year, but declines in current year attendance will likely affect the subsequent two years’ funding levels.

The enacted budget includes the Governor’s May Revision proposal to increase the concentration grant component of the LCFF from 50% to 65% of the adjusted base LCFF grant, per Education Code 42238.02. The additional funds must be expended to increase the number of staff providing direct services, which can include custodial staff.

It will be important for districts to closely monitor attendance trends due to their effect on funding. Of note, short term independent study may now be claimed for three or more, rather than five, consecutive days. Also, beginning 2022-23, districts will be able to claim younger students for apportionment attendance purposes as universal transitional kindergarten (UTK) is phased in. Districts should begin to recalculate attendance projections to include UTK phase in.

COMMENTS/RECOMMENDATIONS

Budget approval is based upon an estimated beginning unrestricted balance of \$3,332,890.48.

LCFF Revenue Calculation

A critical factor in calculating the LCFF formula is the district’s unduplicated pupil count. The district’s 1st Interim budget uses a three year average unduplicated pupil count of 90.94% and the *current CalPADS* data indicates that the district has an unduplicated pupil count of 95.37%.

Based on the district’s estimate of ADA, unduplicated pupil count, COLA and local revenues we believe that the district’s estimate of \$4,280,825.00 of LCFF funding is reasonable.

Enrollment Trends

The district is projecting 2021-22 P-2 ADA of 295 which reflects increase over prior year P-2 ADA. Compared to the enrollment projection of 310, the district is anticipating an attendance ratio of 95.20% for the current year. The 19-20 statewide average ADA to enrollment factor (attendance ratio) is 95.88% for elementary districts, 94.90% for unified districts, and 94.18% for high school districts.

Multiyear Projections

We found the district’s multi-year projections to be based upon reasonable assumptions. Should the assumptions be realized, we concur the district will have sufficient funds to meet its state minimum required reserves for the current and subsequent two years. The District’s first interim budget and multiyear

projections reflect reserve levels of 35.86% for 2021-22, 41.20% for 2022-23, and 39.96% for 2023-24; which meets or exceeds the minimum required reserve level of 5% for a district of your size.

Deficit Spending

It is essential that the District recognize and monitor spending so that it remains manageable, and implement expenditure reductions if needed to maintain fiscal solvency. The district is projecting to deficit spend in the amount of \$ \$348305.25 in 2022-23 and \$220,452.42 in 2023-24

LCAP – Budget Implications and Considerations

AB 130, the 2021-22 education omnibus budget trailer bill, creates two significant new LCAP requirements as follows:

LCAP Carryover Requirements

Changes in Education Code sections 42238.07 and 52064 create a new carryover requirement related to the requirement to increase or improve services for unduplicated pupils.

Starting with the 2022-23 LCAP adoption, LEAs must include in their LCAPs a calculation of any shortfall – quantitatively or qualitatively – between planned actions and services contributing to increased and improved services for unduplicated pupils and actual actions and services for the year prior to the LCAP year. If, based on estimated actuals, the shortfall is such that the LEA did not meet its required minimum percentage to increase or improve services, then the difference will become an added increased and improved services requirement in the LCAP year.

The LCAP template will be revised this year by the SBE to accommodate these new requirements, and Education Code section 52071 has been amended to add new requirements for county office review and approval of LCAPs, including explicit requirements to enforce the carryover provisions.

LCAP Supplement

Uncodified section 124 of AB 130 requires the SBE to adopt a “one-time supplement template to the annual update to the 2021-22 local control and accountability plan.”

LEAs will be required to present the supplement at a regularly scheduled board meeting on or before February 28, 2022, as part of an “update on the annual update” for the 2021-22 LCAP. The supplement must also be included as part of the 2022-23 adopted LCAP submitted for approval.

LEAs will want to track LCAP and other required plan implementation closely throughout the year and communicate proactively about the new requirements. Carryover related to the increased and improved services may be difficult to avoid in some circumstances due to the confluence of one-time funding and late notice about added LCFF funding. If significant carryover is anticipated, LEAs may want to begin engaging stakeholders sooner rather than later around why this is the case, and what it means for the future.

Cash Flow Projections

LEAs should monitor cash flow to ensure there is sufficient cash to meet all fiscal obligations. There are no planned deferrals of cash present for 2021-22 fiscal year, and all 2020-21 deferrals were repaid by the end of November, 2021. Though the lack of deferrals in the current year creates a much more positive cash situation for districts, increased levels of federal funding due to COVID-19 might create cash shortfalls for

districts because some federal funding sources operate as reimbursements after funds are expended. Districts should monitor cash closely throughout the year, especially if inter-fund cash borrowing is present at the district.

Labor Negotiations

The district is reminded that Government Code section 3547.5 requires districts to publicly disclose the costs of all bargaining agreements before they enter into a written agreement. The district is reminded to review the requirements under Government Code Section 3547.5 and AB 1200 on public disclosure of collective bargaining. School districts considering a multiyear contract need to exercise caution and maintain flexibility through negotiations that protects the district from cost increases and/or revenue shortfalls beyond their control.

Submission of Studies, Reports, Evaluations and/or Audits

Any studies, reports, evaluations or audits done of the district should be shared with the county office. E.C. Sections 42127 and 42127.6 require that the County Office review such reports for evidence of fiscal distress and incorporate that information into our analysis of budgets, interim reports and the district's overall financial condition.

TECHNICAL CORRECTIONS

Items solely of a technical nature have been forwarded directly to the district's chief business official.

CONCLUSION

Under LCFF and LCAP regulations, each district receives differing amounts of revenue and has its own particular set of financial and educational needs and risk factors. Each LEA must continue to assess its individual situation and plan accordingly. KCSOS is dedicated to providing guidance and support to help your district maintain both fiscal solvency and academic success.

The recommendations and comments that appear in this document are based upon 1) an in-depth review of the district's budget documents; and 2) an analysis of the district budget as measured by state-adopted Criteria and Standards. We hope that the review and analysis prove useful to the district board and administration.

If you have any questions, please call me at 636-4285.

Sincerely,

Mary C. Barlow
Kern County Superintendent of Schools



Marcos Gamino, Fiscal Analyst
Division of Administration & Finance

MB: MG: jph
c: Michael Coleman, Superintendent