



MARIN COUNTY

OFFICE OF EDUCATION

1111 LAS GALLINAS AVENUE/P.O. BOX 4925
SAN RAFAEL, CA 94913-4925
marincoe@marinschools.org

MARY JANE BURKE
MARIN COUNTY
SUPERINTENDENT OF SCHOOLS

(415) 472-4110
FAX (415) 491-6625

April 16, 2021

Ms. Leslie Harlander, President
Tamalpais Union High School District
395 Doherty Dr
Larkspur, CA 94939

Ms. Harlander,

Our office has completed its review of the Tamalpais Union High School District's second interim budget report for 2020-21 in compliance with the provisions of Education Code 42131(a)(2). The Governing Board approved the budget with a positive certification that the District will be able to meet its financial obligations for the current and subsequent two (2) years.

The Code requires the County Superintendent to approve or change interim report certifications after examining the report to determine whether it complies with the standards and criteria established pursuant to Education Code 33127 and determining whether the interim budget will allow the district to meet its financial obligations during the current fiscal year and is consistent with a financial plan that will enable the district to satisfy its multi-year financial commitments.

Based upon our review, the Board's POSITIVE certification of the second interim budget report has been approved.

ECONOMIC IMPACTS DUE TO THE CORONAVIRUS PANDEMIC

An unprecedented amount of one-time money is being directed toward K-12 education from both the federal and state government to provide the resources needed to return to school and address the learning loss and socio-emotional issues that have arisen due to the coronavirus pandemic. The total amount of one-time funding associated with COVID-19 for school districts in Marin county is equal to 15% of county-wide school district revenues. Due to the timing of the passage of the most recent federal and state legislation, a considerable amount of one-time funds are not reflected in the District's 2020-21 second interim budget.

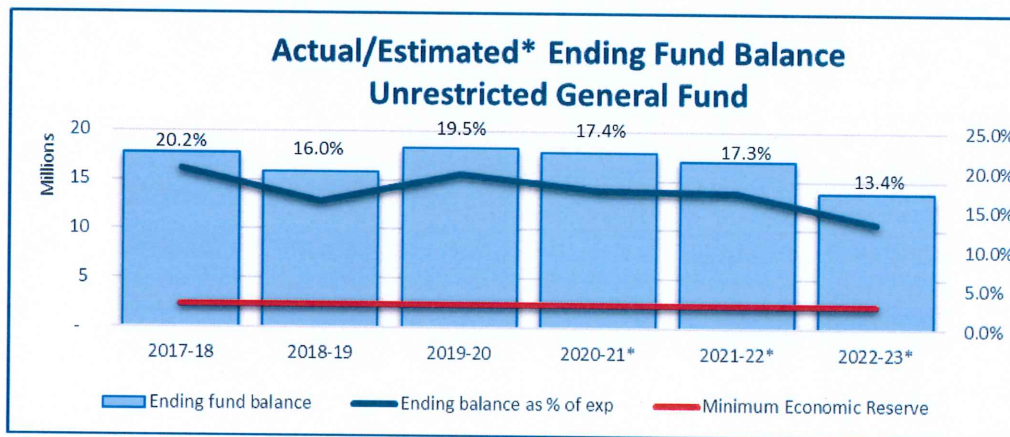
While the one-time COVID-19 funding for education has fairly broad application, there are at least ten (10) separate grants, each of which has application, compliance and reporting requirements as well as specific restrictions. The most recent state awards are made as a result of the passage of AB86: "COVID-19 relief and school reopening, reporting and public health requirements" and include a requirement for governing boards to adopt an Expanded Learning Opportunities Grant Plan by June 1, 2021. We have provided resources and technical assistance sessions to assist districts with the preparation of this plan and managing the complexity of these grants while also ensuring funds are being expended as effectively as possible.

The influx of resources to assist with the work school districts have been performing will temporarily inflate district budgets and could therefore mask underlying structural deficits. We therefore caution districts to be very clear about the activities that are being funded with one-time revenue to mitigate the risk of increasing structural deficits upon the expiration of the grants.

Districts recently received notice that the school employer rate for providing state unemployment insurance will be 1.23% in 2021-22, an increase of 1.18%, due to the significant increase in unemployment claims. The state maintains a separate pool to manage unemployment insurance for school agencies and have advised districts that the rate could be reduced later in the year, however, until further information is known, districts should plan on budgeting for the increased cost.

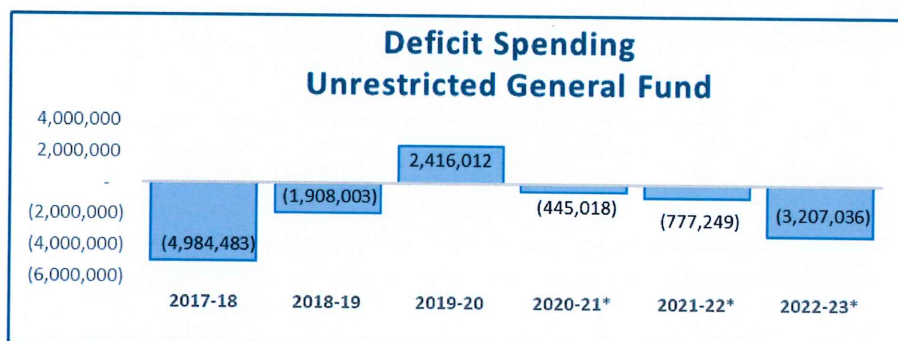
BUDGETARY POSITION FOR TAMALPAIS UNION HIGH SCHOOL DISTRICT

The District's second interim budget and multi-year is fairly stable when compared to the first interim budget. The following graph depicts the District's estimated ending balance in the second interim budget and multi-year projection for the unrestricted general fund with both the state required minimum reserve and the District's actual reserve as a percentage of total expenditures. The District's ending balance meets the minimum required reserve requirement for the current and both subsequent years.



OPERATING DEFICITS

The District's second interim budget and multi-year projection reflects operating deficits in the unrestricted general fund as displayed in the chart below. We note deficit spending is exacerbated in 2022-23 with the loss of pension relief and that the District has not yet settled with all bargaining units. Absent offsetting cost reductions, salary increases will exacerbate the District's deficit spending.



The cumulative impact of this projected deficit spending is a 24% decline in fund balance over the current plus two (2) subsequent years, leaving the District with reserves of \$13.8 million or 13% of general fund expenditures at June 30, 2023. While some deficit spending may be a result of one-time costs from prior year funding sources, ongoing structural deficits threaten a school district's future educational programs. Districts that wait too long to address and correct structural deficits are forced to make dramatic corrections all at once. In contrast, carefully planned and phased-in structural corrections lessen the impact on children.

FEDERAL BUDGET

The federal government have passed three rounds of COVID-19 related stimulus funding. The one-time funding approved in the second stimulus bill, the Coronavirus Relief and Response Supplementary Appropriations Act (CRRSAA) and the latest American Rescue Plan (ARP) Act are allocated using the same formula used for Title I grants to direct funding to the most vulnerable students. We note the District's second interim budget update does not reflect the ESSER II grant authorized by CRRSAA in the amount of \$0.4 million.

The ARP Act passed in March 2021 requires school districts to set aside 20% of the grant award to mitigate learning loss among elementary and secondary school students. We estimate that the District's ESSER III grant award authorized under ARP is approximately \$0.9 million. We are awaiting guidance from the California Department of Education as to whether these funds will be appropriated in the State budget for 2020-21 and therefore available for local educational agencies (LEAs) to budget.

OTHER STATE FUNDING

The state's economy has performed far more robustly in 2020-21 than anticipated when the state adopted the budget and as a result, the state has significant one-time revenues, some of which the state legislature has directed towards one-time grants to school agencies to support the reopening of schools in 2020-21. The preliminary allocations indicate the District will receive a total of \$5 million in one-time state grants which must be expended by August 31, 2022.

The legislation (AB86) provides for two grants – one to support In-Person Instruction as evidenced through bi-weekly reporting to the California Department of Public Health, and the second to expand learning opportunities to mitigate learning loss and mental health issues by implementing any of seven broadly defined supplemental instruction and support strategies. Ten (10) percent of this second grant must be expended solely on hiring paraprofessionals to implement supplemental instruction and support strategies. In addition, by no later than June 1, 2021, the District's governing board must adopt an Expanded Learning Opportunities grant plan. Districts will also be required to report actual expenditures against the grant plan budget no later than December 2022.

SALARY SETTLEMENTS

School districts are in the "people business" and, as a result, the budget is largely driven by salaries and benefits. The District has not yet settled negotiations with the bargaining units for 2020-21. Due to the ongoing nature of these costs, any permanent increases to salary require permanent and ongoing funding sources. When the District and bargaining unit are ready to settle negotiations, Government Code 3547.5 requires the District to publicly disclose costs, as certified by the superintendent and chief fiscal officer. Please provide a Public Disclosure of Collective Bargaining Agreement including the tentative agreement(s) and multi-year projection to our office 10 working days prior to Board approval. Budget revisions associated with salary settlements should be approved within 45 days of Board approval.

RESERVES

The District maintains the state-required minimum reserve for economic uncertainty of 3% of total general fund expenditures in the current and two (2) subsequent years. In addition, we note the District's reserve policy identifies a target minimum reserve of 17% of expenditures inclusive of the 3% minimum reserve.

All school districts, whether state aid or community funded, are well advised to establish higher than minimum reserves in order to provide for the financial flexibility to absorb unanticipated expenditures without significant disruption to educational programs, cash flow deferrals and general economic uncertainties. Higher than minimum reserves allow the District to better ensure a consistent and stable program offering for students.

CONCLUSION

We thank Corbett Elsen for the timely submission of the second interim budget using the statutorily required forms. If you have any questions, please do not hesitate to contact me at 415-499-5822.

We appreciate your dedication and service to the children of Marin County especially during these difficult times. Marin's school districts have taken a leading role in providing safe in-person instruction during the pandemic. Due to your good fiscal stewardship, the children of Marin County will continue to experience quality education now and in the future.

Sincerely,

MARY JANE BURKE
Marin County Superintendent of Schools



KATE LANE
Assistant Superintendent

cc: Dr. Tara Taupier, Superintendent
Corbett Elsen, Chief Financial Officer